

1960—Year of revolutions

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BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

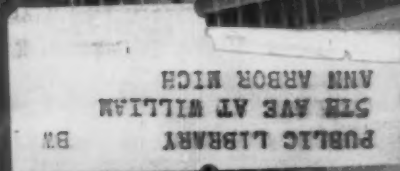
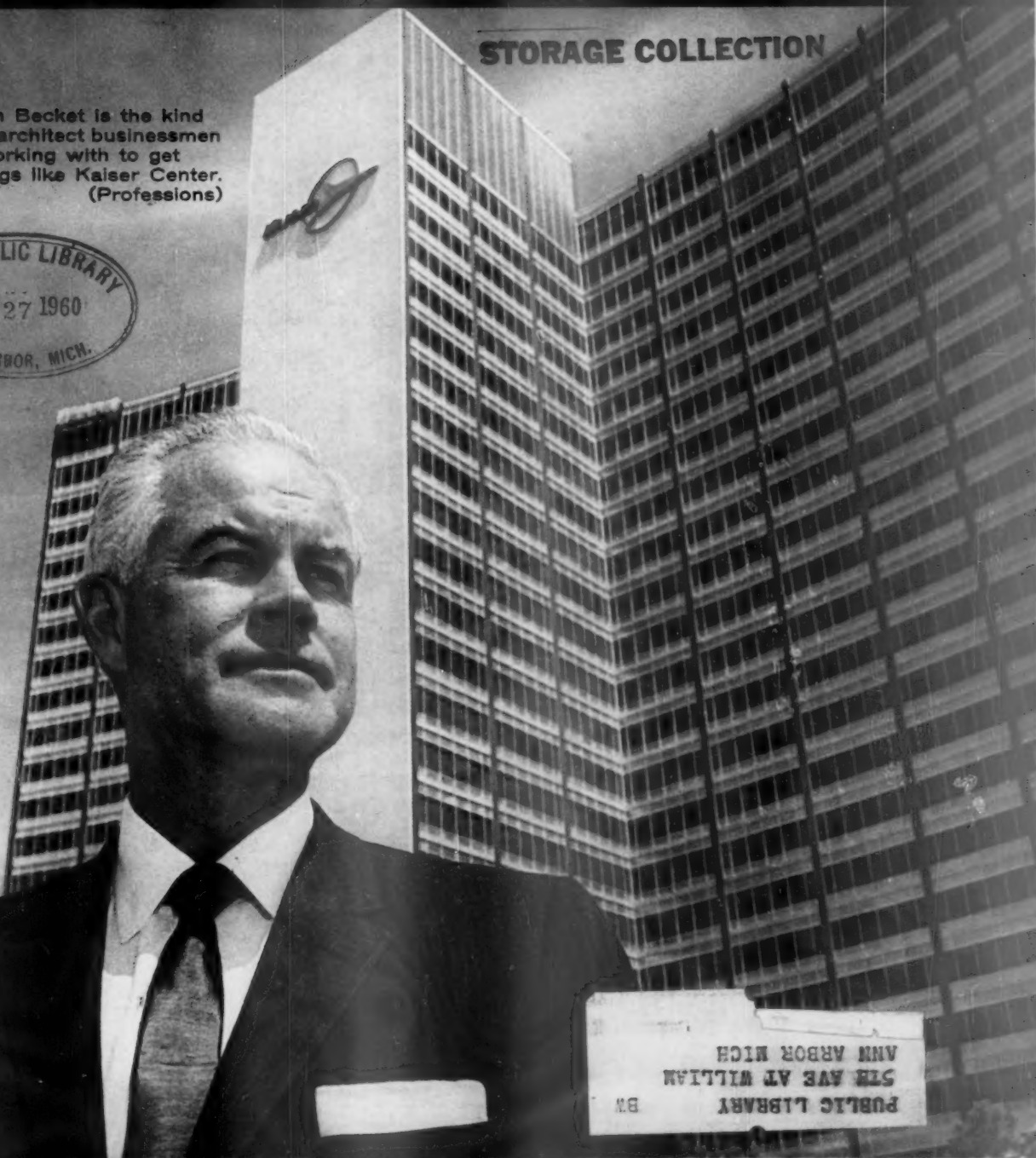
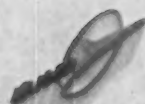
FIFTY CENTS

JUNE 25, 1960

Welton Becket is the kind
of big architect businessmen
are working with to get
buildings like Kaiser Center.
(Professions)



STORAGE COLLECTION





Photographs taken through the cooperation of Riegel Textile Corporation, Ware Shoal, S.C.

To crack down on "crocking"—use PLIOLITE LATEX!



If you're having trouble with crocking (color rub-off) in textile printing, here's a tip: Look into the many synthetic latices by Goodyear.

Take the case of one industry leader. Eight years ago, he started modifying his print emulsions with PLIOLITE LATEX. The results are shown in the crocking test pictured in the inset.

Pliolite Latex not only minimizes crocking, but also reduces "tarnishing"—cutting down roll clean-up time. What's more, it permits good color values, adds to binding strength and improves resistance to the abrasion of laundering.

Why not learn more about PLIOLITE LATEX and the other latices in the Goodyear lines? Just write Goodyear, Chemical Division, Dept. R-9415, Akron 16, Ohio.

lots of good things come from



GOOD YEAR

CHEMICAL DIVISION

Pliolite—T.M. The Goodyear Tire & Rubber Company, Akron, Ohio

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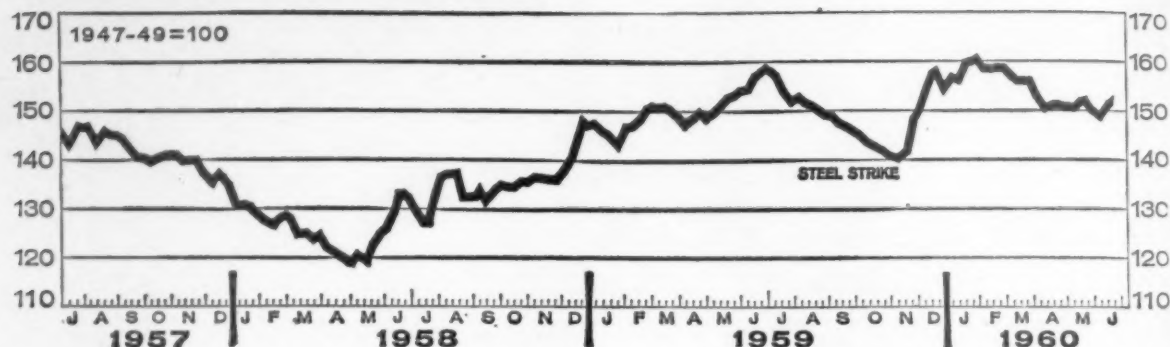
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FIGURES of the WEEK



BUSINESS WEEK INDEX (chart)

1953-55 Average	Year Ago	Month Ago	Week Ago	§ Latest Week
133.3	158.5	152.8	151.9r	152.9*

PRODUCTION

Steel ingot (thous. of tons).....	2,032	2,486	1,870	1,775r	1,739
Automobiles	125,553	129,270	155,755	139,423r	137,721
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$81,590	\$75,140	\$91,407	\$94,408
Electric power (millions of kilowatt-hours).....	10,819	13,331	13,468	13,766	14,053
Crude oil and condensate (daily av., thous. of bbl.).....	6,536	7,017	6,864	6,772	6,840
Bituminous coal (daily av., thous. of tons).....	1,455	1,518	1,376	1,428r	1,454
Paperboard (tons)	247,488	327,830	325,053	327,206	317,358

TRADE

Carloadings: mfrs., miscellaneous and l.e.l. (daily av., thous. of cars).....	70	66	61	58	60
Carloadings: all others (daily av., thous. of cars).....	47	53	46	47	48
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	141	134	131	144
Business failures (Dun & Bradstreet, number).....	198	267	313	283	353

PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	92.2	93.5	91.9	91.5
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	82.0	77.0	77.1	77.1
Print cloth (spot and nearby, yd.).....	19.8¢	19.5¢	20.9¢	20.2¢	21.2¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.7	186.8	186.6r	186.6
Scrap steel composite (Iron Age, ton).....	\$36.10	\$38.17	\$32.50	\$31.50	\$31.00
Copper (electrolytic, delivered price, E&MJ, lb.).....	32.39¢	31.46¢	33.00¢	33.00¢	33.00¢
Aluminum, primary pig (U. S. del., E&MJ, lb.).....	20.6¢	24.7¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.).....	††	22.91¢	25.02¢	24.07¢	24.07¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$1.92	\$1.97	\$1.98	\$1.99
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	34.47¢	32.20¢	32.25¢	32.25¢
Wool tops (Boston, lb.).....	\$1.96	\$1.81	\$1.72	\$1.67	\$1.68

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	57.17	55.73	57.89	57.30
Medium grade corporate bond yield (Baa issues, Moody's).....	3.59%	5.04%	5.28%	5.25%	5.27%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½%	3½%	4¼%	4%	3½%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††	61,426	58,040	58,510	59,788
Total loans and investments, reporting member banks.....	††	103,055	102,914	102,636	104,216
Commercial, industrial, and agricultural loans, reporting member banks....	††	33,831	32,141	31,920	32,478
U. S. gov't guaranteed obligations held, reporting member banks.....	††	30,598	25,790	25,640	25,750
Total federal reserve credit outstanding.....	26,424	27,994	27,480	27,575	27,609

MONTHLY FIGURES OF THE WEEK

	1953-55 Average	Year Ago	Month Ago	Latest Month
Personal income (seasonally adjusted, in billions).....May.....	\$296.1	\$381.3	\$397.8	\$399.4
Farm income (seasonally adjusted, in billions).....May.....	\$ 16.0	\$ 16.0	\$ 15.4	\$ 15.9
Wholesale prices (U. S. Dept. of Labor BLS, 1947-49 = 100).....May.....	110.4	119.9	120.0	119.7

* Preliminary, week ended June 18, 1960.

†† Not available.

r Revised.

§ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Jon Brenneis; 22-23—Jack Fuller; 25, 26, 27—Yukichi Watabe; 28-29—Theodor Hirsch; 30—Harris and Ewing; 47, 49, 51—Ed Malsberg; 64-65—(left) Shel Hershorn, (middle) Leonard Nadel, (right top) Ted Streshinsky, (middle) H. Grant Compton, (bottom) Herb Kratovil; 69—Herb Kratovil; 80, 81, 84—Jon Brenneis; 102, 104—Pictorial Parade; 113—Harry Redi; 120—WW; 122—Long Beach Federal Savings and Loan; 128-129 (top left) George Woodruff, (all others) Ed Nano; 130-131—George Woodruff; 162—Cornell Aeronautical; 168—Sylvania Electric Products Inc.; 170—Clark Equipment Co.; 177—J. R. Simplot Co.

BELL TELEPHONE SYSTEM



An artist's conception of the astronaut's capsule in orbit



Black lines represent expected orbits of the astronaut's capsule. Project Mercury ground stations will be close to the orbital path

***is helping to create the
world-wide communications
and tracking network for
America's first man into space***

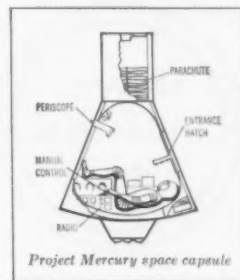
Another epoch-making space communications assignment was recently given to the Bell System.

Because of our experience in this field, we have been asked to set up a communication, telemetry and tracking network which will girdle the globe and maintain contact for Project Mercury—America's effort to put a man into orbit.

Western Electric, the Bell System's manufacturing and supply unit, heads an industrial team which will design and build this network for the National Aeronautics and Space Administration.

In all, 18 stations around the world are being constructed for the network, using existing radar and communication facilities where possible. The network's mission: to track and monitor the flight of the space capsule, transmit signals to its operating instruments, and provide a dependable voice channel between the astronaut and his colleagues on earth.

Creating communications systems for the space era which are as reliable as man can make them is familiar work for the Bell System. It's a natural development of the telephone system which serves you so well today, and will serve you still better in the future.



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READERS REPORT

Play Both Sides

Dear Sir:

You state [BW—Jun.11'60,p25] "Bankers say that more credit will have to be available before they consider reducing the prime rate now 5% . . ." This is typical of the banking profession. When the discount rate goes up, they practically call you in the middle of the night to inform you that the prime rate has advanced in accordance with the Federal Reserve discount rate. When it goes down, it is an entirely different story. Bankers are always trying to play both sides of the street.

L. P. DAVIS

GENERAL MANAGER

CITY EMPLOYEES CREDIT UNION
DALLAS, TEX.

"Systems" Approach

Dear Sir:

Congratulations for your article on Systems Engineering [BW—Jun. 11'60,p138] describing some of the pioneering work being done at Case Institute of Technology. . . .

This trend toward fusion of the physical, engineering, and behavioral sciences in order to attack complex problems has important implications for both engineering and management. From my experience in handling employee ideas, it seems that diversity of experience beyond one's specialty often makes the difference between the run-of-the-mill engineer or employee and the "idea man." . . .

MORLEY G. MELDEN

AMERICAN ELECTRIC POWER
NEW YORK, N. Y.

Breeding Stock

Dear Sir:

. . . I read the article entitled For Steak, Grandpop's the Key [BW—May28'60,p95]. Since 1951, my brother and I have been plumping for the meat type cattle. We own and operate a grass farm of about 2,000 acres here in Missouri and have at present over 600 head of hybrid or crossbred meat type breeding stock. We were privileged to introduce our particular breed of [Charolais] cattle into the Midwest and have since sold our breeding stock to 33 states and 4 provinces in Canada. . . .

E. LOGAN MCGINNIS

MCGINNIS BROTHERS RANCH
EXCELSIOR SPRINGS, MO.



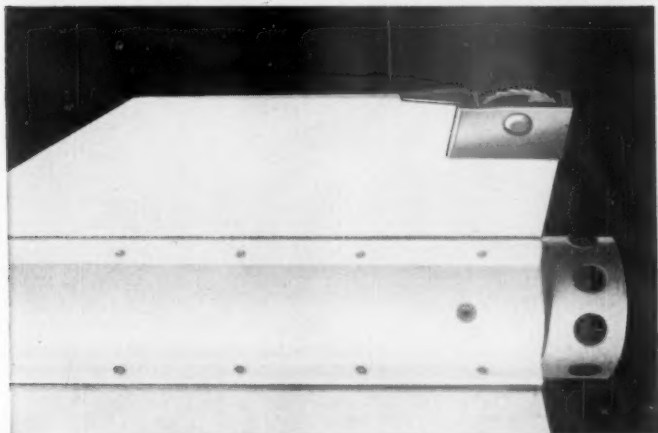
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NEW DEPARTURE OF THE MONTH



N.D. integral rolleron gyro wheel and shaft with precision instrument ball bearing solves sidewinder reliability problem. Actual ball bearing O.D. measures little more than an inch.

How **ND** Designs Reliability Into Sidewinder Rollerons!

Sidewinder rollerons? What are they? They're four precision balanced gyros that are mounted on instrument ball bearings and powered by air streaming past this aircraft-fired missile. These gyro stabilizers, spinning at tremendously high speeds, give consistently balanced attitude control to the heat-seeking missile while in flight. With ever-increasing speeds of new fighter aircraft, the rollerons failed because they were subjected to environmental conditions more severe than those for which originally designed.

New Departure engineers in conjunction with Naval Ordnance Test Station solved the problem by recommending a simplification of the original rolleron assembly. An integral gyro wheel and shaft was designed that maintains critical rolleron reliability. What's more, the new design reduces inventories, assembly time and inspections. And today, this same N.D. creative engineering and reliability can be found in more than twenty of America's major missiles . . . in airframe, guidance, propulsion and ground support.

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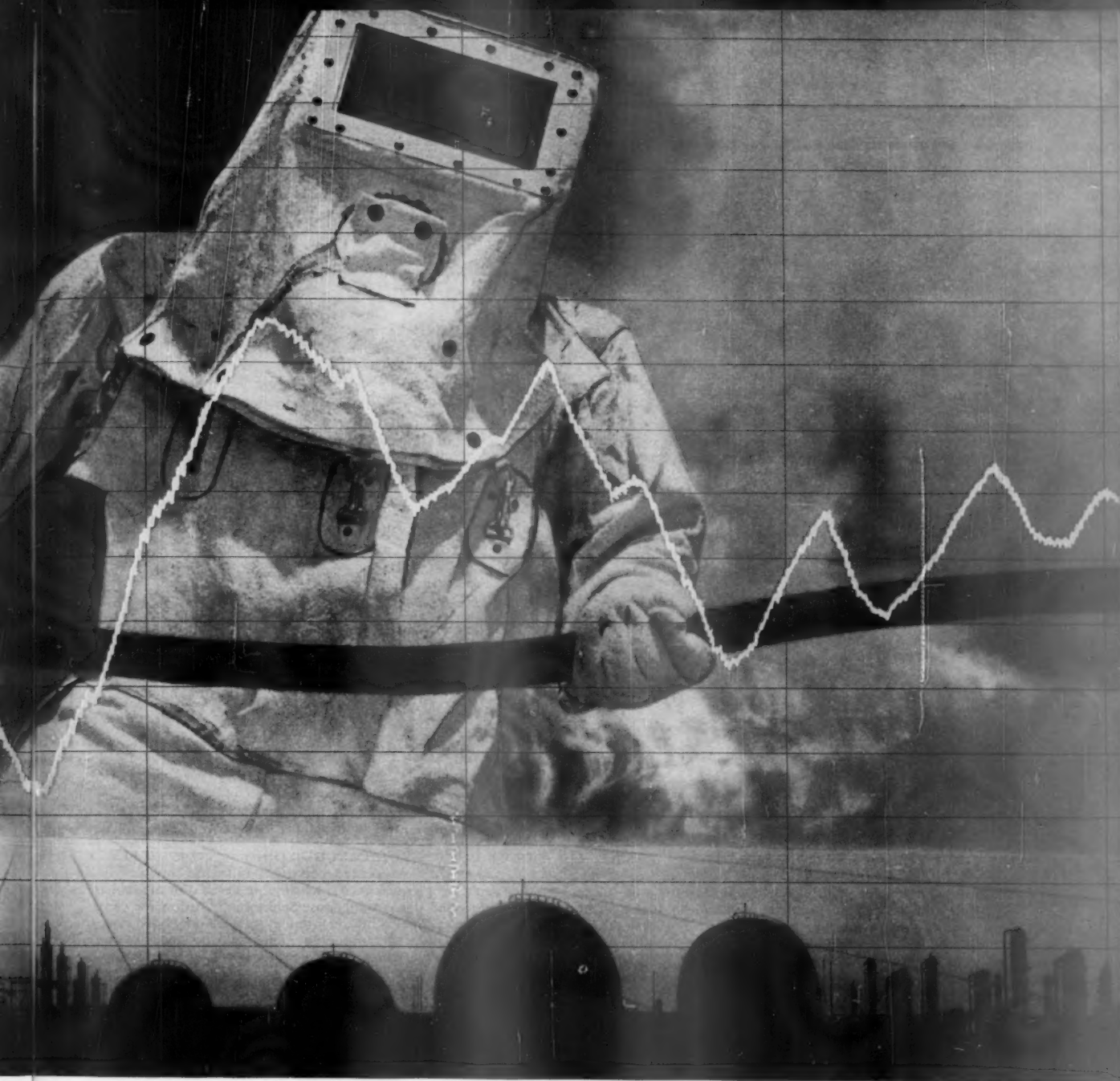
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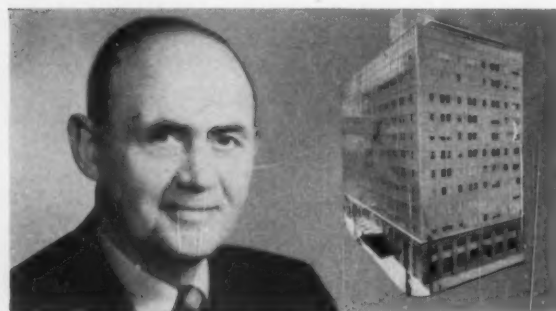
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COURTEOUS ELEVATOR SERVICE . . . "Westinghouse elevator equipment in our hotels and commercial buildings has proved to be highly satisfactory in the past. Our study of operatorless elevators proved that Westinghouse was a wise choice for the Pennsylvania Lumbermens Mutual Insurance Building. The technical qualities built into the equipment are giving our tenants most efficient and courteous elevator service."



James F. Koch, President
Hazleton National Bank, Hazleton, Pennsylvania

IMPRESSED WITH SMOOTH OPERATION . . . "Our Directors and I decided to modernize our elevators. We took the Westinghouse Eye-Opener Demonstration and were very much impressed with the smooth operation of the elevators. Result . . . we bought Westinghouse Elevators for the Hazleton National Bank Building."



Joseph W. Chinn, Jr., President
Wilmington Trust Company, Wilmington, Delaware

OBTAINED THE OPERATION EXPECTED . . . "Before making a decision on the elevators for our building, we had our architects, engineers and staff make a careful investigation of the Westinghouse Selectomatic Automatic system in action. This was a major factor in our selection of Westinghouse elevators. We have obtained the safe, efficient and smooth operation that we expected from this installation."



William H. Sylk, President
Lafayette Building, Inc., Philadelphia, Pennsylvania

BEST CHOICE FOR OUR BUILDING . . . "The elevators in the Lafayette Building on Independence Mall represent an important capital improvement. At the time we decided to modernize, we investigated the Westinghouse Selectomatic Automatic elevator equipment. After a thorough study, we were convinced that it was the best choice for our building. The results obtained exceeded our expectations in safe, efficient elevator operation and increased tenant satisfaction."



B. H. Mercer, President
Fidelity & Deposit Company of Maryland, Baltimore, Maryland

ALL YOU DO IS PRESS A BUTTON . . . "The Westinghouse elevator demonstration proved to me that here was one of the truly outstanding examples of automation. All you do is press a button and a computer takes over. It measures time, weighs passenger load, counts cars and corridor calls, and dispatches cars to where they are needed. It's remarkable."



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Medical Tower, Inc., Norfolk Medical Center, Norfolk, Virginia

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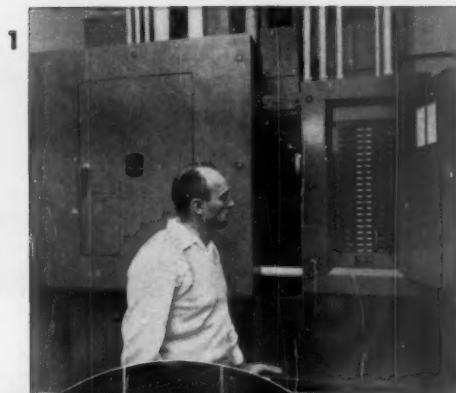
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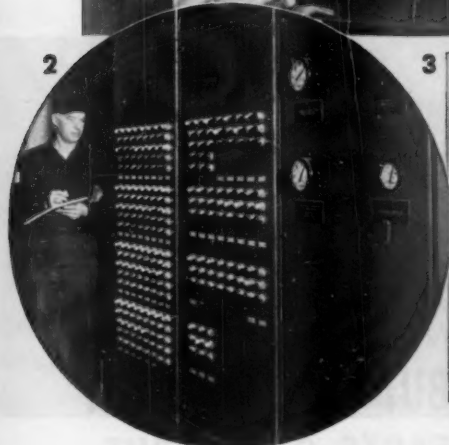
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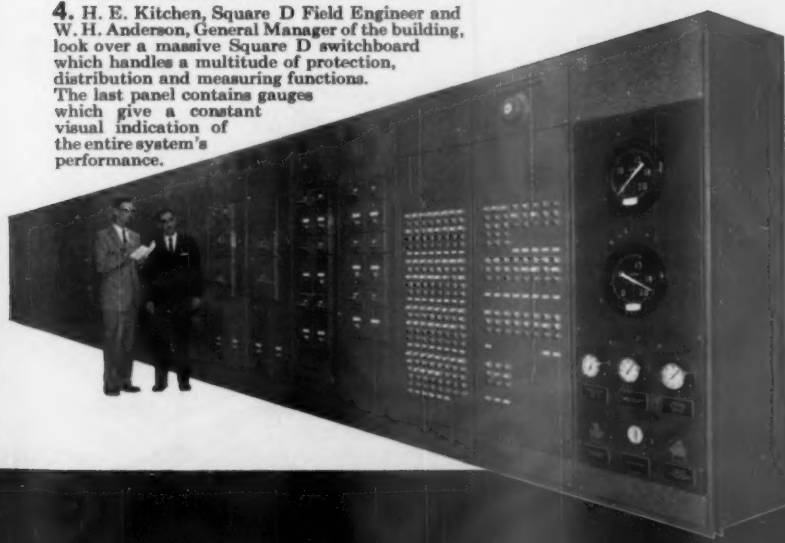
1. Nando Arduini, Resident Engineer, inspecting the Square D equipment in one of the electrical rooms. There is an identical room on each floor. Each has three Square D lighting and power panelboards, fed by Square D duct.

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3. These two Square D wall-mounted panelboards contain over-current protective devices for each of the automatic elevator controllers.



4. H. E. Kitchen, Square D Field Engineer and W. H. Anderson, General Manager of the building, look over a massive Square D switchboard which handles a multitude of protection, distribution and measuring functions. The last panel contains gauges which give a constant visual indication of the entire system's performance.



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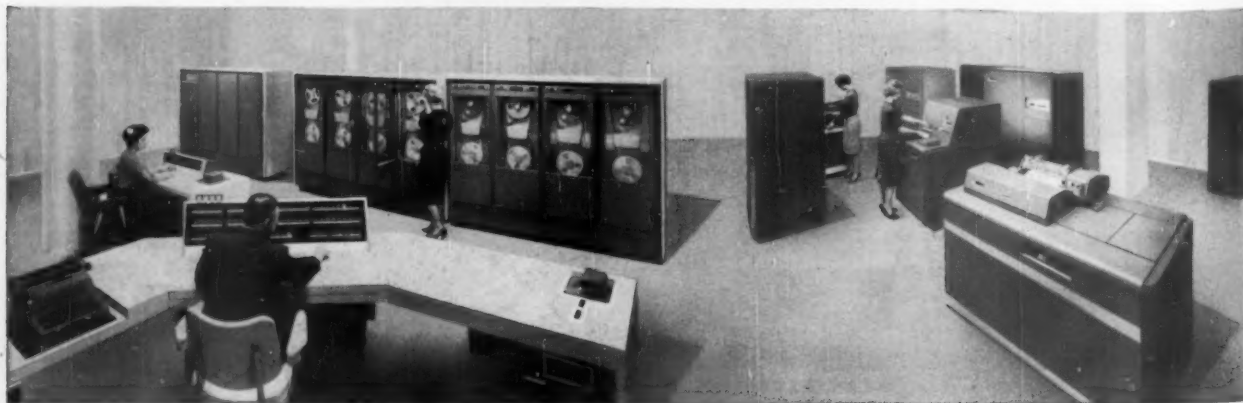
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BUSINESS OUTLOOK

BUSINESS WEEK

JUNE 25, 1960



Personal income moved up swiftly in last year's second quarter, aided by generally high activity and employment before the steel strike.

And the rise in income touched off a rush of retail sales.

This year, personal income has been rising just about as fast without any strike fears. Will retail sales do as well?

Volume of retail trade for April and May, taken together, was far the highest for any two-month period. Yet the upsurge was at Easter; May fell away from that peak (all figures seasonally adjusted).

This left everyone wondering what was afoot (BW—Jun.18'60,p21).

Right now, this has special significance. Most analysts see consumer spending as about the only stimulus for an autumn upturn.

Autos will have a whirl when the new models come out in October, to be sure. Detroit, in fact, will begin pushing output strongly in September to get ready for the October showings.

But, unless the consumer is in a spending frame of mind, this might prove nothing more than a temporary push in the 1960-61 outlook.

Soundings of consumers' spending intentions have been reassuring all year. Yet retailers, as a group, still are not entirely convinced that their sales are keeping pace with the pollsters' samplings.

All in all, unusual interest will center on the forthcoming report of the University of Michigan's Survey Research Center. Early in July, this group's newest findings will be made public.

—●—

Trends in employment and income have held favorable portents for the mass market ever since spring weather finally arrived.

Employment has been well ahead of last year even though industry then was rushing to get ready for crippling strikes. Nonfarm jobs, in fact, were up 1¾-million in May over a year ago.

And this was with no help from manufacturing; poorer-than-seasonal hirings in durable goods factories more than offset better-than-seasonal performances in softgoods plants.

Personal income will average about \$18-billion higher than a year ago for the second quarter at a seasonally adjusted annual rate. After advancing only very slowly in the first quarter, the gain for the second appears to have been about \$7-billion at an annual rate.

Gains in the next several months will appear even better, because the comparison will be with steel-strike months a year earlier.

There is little evidence, in any event, that the consumer can't be buying at a record rate if he is so minded.

—●—

The over-all level of production seems to have scraped bottom in March and April. And, even then, it was 9% above the 1957 average, as measured by the Federal Reserve Board's index.

The preliminary estimate for May shows a 1 point comeback to 110

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
JUNE 25, 1960

in the index. Both durable and non-durable goods contributed to the May rise—with softgoods going to a new high of 114.

For all the talk about a lag in output of metalworking industries, plants producing equipment for other manufacturers in May were running about 4% ahead of year-earlier levels (and 4% above the 1957 average).

Factories producing for consumers had a wider margin than the equipment makers over the 1957 base. Yet they, too, were 4% over 1959.

Production so far this year makes the poorest showing just where you might expect: in the volume of raw materials.

Reflecting mainly the drop in steel to near 60% of capacity, output of raw materials last month was only 7% higher than in 1957 and a couple of percentage points below the booming rate at this time last year.

—●—

Production of primary aluminum, unlike most of the major metals, seems to be heading for a new record in 1960.

Each month so far this year has shown a gain over 1959 (notwithstanding the high level a year ago when users of the light metal were stocking up against the possibility of strikes).

In fact, daily average output in April and again in May broke all past records except for the whopping record in July, 1959.

Aluminum's product mix probably is showing further changes, but the figures on mill shipments of sheet and plate hardly bear out the record rate of primary metal production. Sheet and plate, for the first four months of 1960, ran a bit behind a year ago (and below the same months in 1957, as a matter of fact).

Prices, too, have a less-firm feeling than primary output. While posted prices for the virgin metal have been maintained, quotations on aluminum scrap have been edging downward in recent weeks.

—●—

Who gets the credit for "controlling inflation" in the first half of 1960 probably will be subject to argument for a long time. (And some will contend that advances have not been fully contained, as judged by the action of the Consumers' Price Index.)

Be that as it may, the broad wholesale price index compiled by the Bureau of Labor Statistics is ending June at almost exactly the same level as a year ago (even though the prices of farm products and foods have tended to rise since January).

Prices of industrial products at wholesale, in fact, are lower now than at the end of 1959, having dipped in the second quarter. That's the only quarterly decline in five years save for 1958's second quarter.

Manufacturers have been helped in operating without price increases by weakness in many of their raw materials.

Among the few important industrial commodities to show much of an advance, compared either with Jan. 1 or a year ago, is rubber. And a couple—notably hides and steel scrap—have taken sharp drops.

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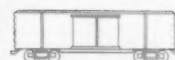
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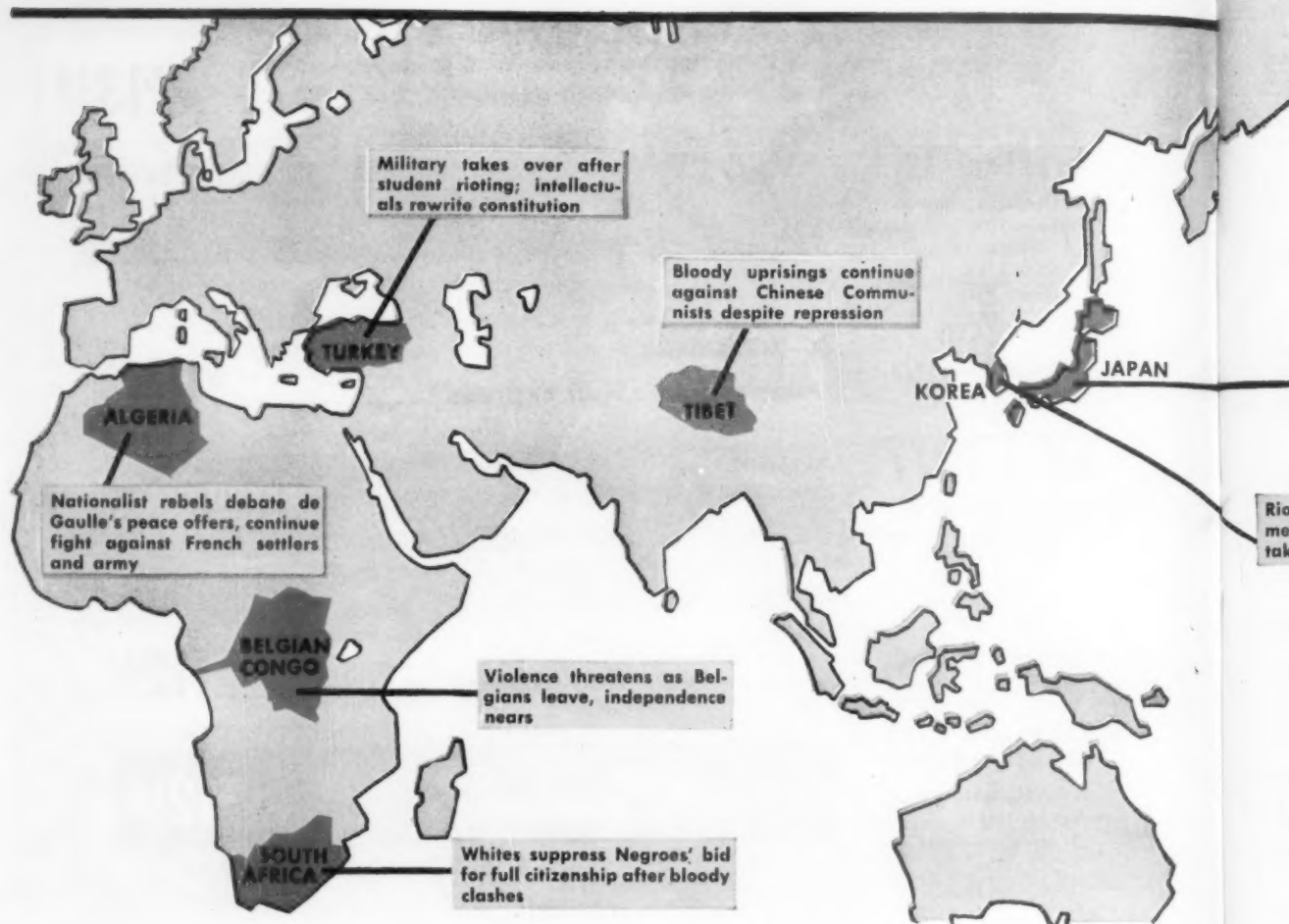
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1960's Revolutions: New Forces, D

Students and intellectuals are leading the uprisings. But the army's role is decisive. Explosions in Free World allies raise dangers for the U.S.

Since the end of World War II, the world has witnessed nearly half a hundred violent political upheavals. This year, especially, is a year of revolution.

Revolutionaries, often led by students, have turned out those who held power and sent them to obscurity, exile, or death. They have swept away established political institutions and replaced them with governments that range, in political philosophy, from the right to the far left.

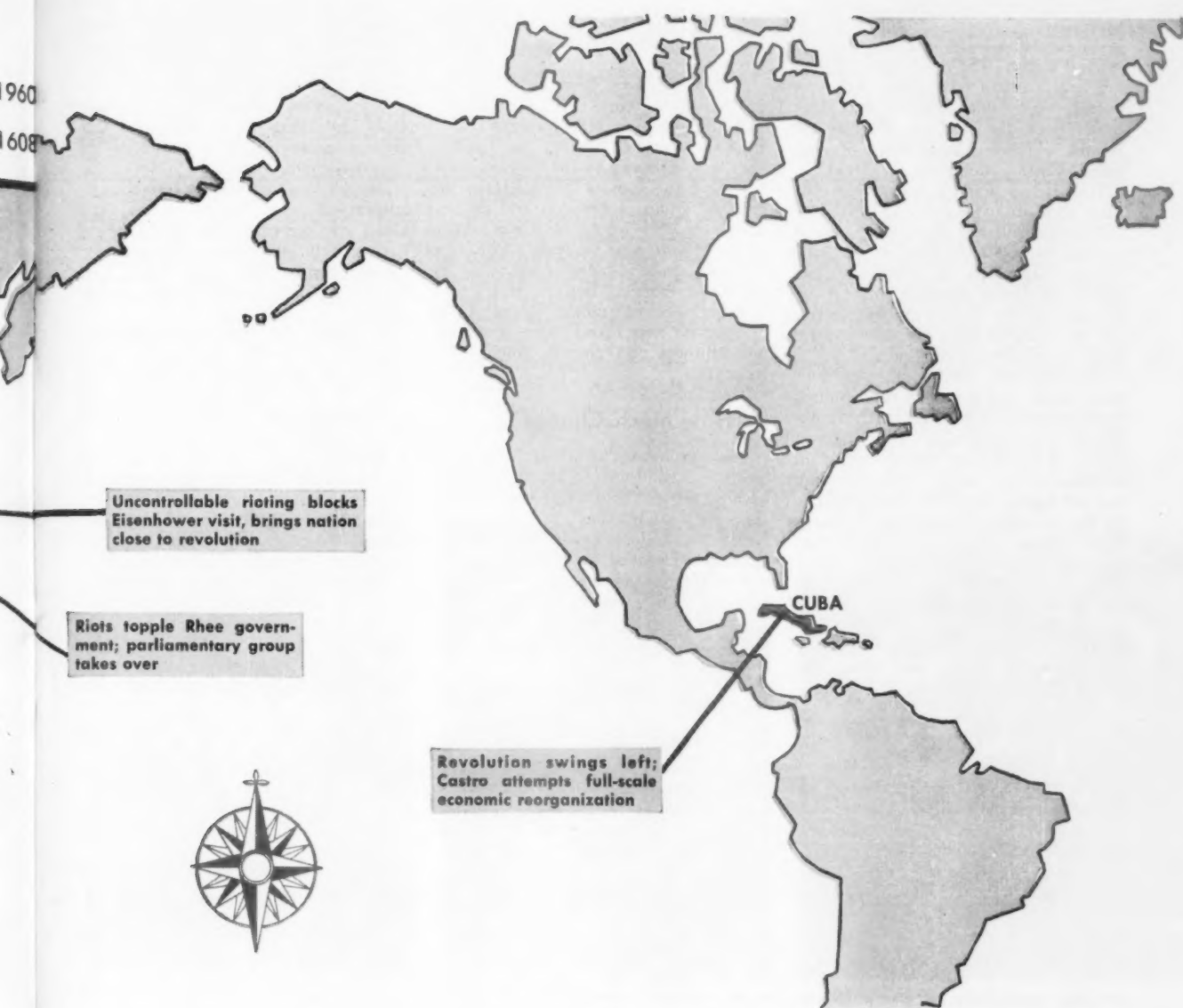
Since 1945, there have been revolts against colonial domination in Indonesia and Indochina, revolts against Soviet Russian tyranny in Hungary and East Germany, revolts of one race against another in Kenya, revolts of a new ideology against the old order in China.

• **1960's Difference**—Today, Arab Algerians are rebelling against Frenchmen, Negro South Africans have risen against white South Africans, and Tibet-

an guerrillas are battling the Chinese Communists. But many of this year's revolutions are of a different nature. They are civil revolts of a people against its own government.

In Japan this week, continuing riots not only threaten to displace Prime Minister Kishi's administration but have brought the nation close to political chaos (page 109). Last month, after several weeks of student-led demonstrations, a group of Army officers seized control of the government of Turkey from Prime Minister Menderes. The month before that, uprisings led to Pres. Syngman Rhee's dismissal in Korea.

• **Past and Future**—In Cuba, Fidel Cas-



Dilemmas

tro's revolution, which brought him to power in 1959, has the marks of a classic social revolution, but has been taken over by the Communists. Earlier in this decade, governments were overturned in Iraq and Egypt, in Argentina, Venezuela, and Colombia.

A few changes have been relatively peaceful; but these are still revolutions in that they involved major revisions in political structure. In some cases, this prevented turmoil. Perhaps the best example is the advent of Gen. de Gaulle's Fifth Republic in France. Similar shifts took place in Pakistan, Burma, and Chile.

Undoubtedly more changes, of the violent type particularly, are coming.

Spain, Portugal, Indonesia, South Vietnam, Taiwan, Paraguay, the Dominican Republic, and others harbor dissident elements awaiting the chance to break loose. There may be others in the Communist bloc of which the West has little inkling.

I. Student Leadership

Despite the marked differences in the countries involved, and in the circumstances and causes of each revolt this year, a few common threads run through the revolutionary fabric.

The most striking aspect of the uprisings has been the leadership of young intellectuals and of college and some high-school students. In Turkey and Korea, they were the initiators of the discord that eventually led to the overthrow of semidictatorial governments.

In Japan, they generated enough of an uproar to prevent Pres. Eisenhower's visit, to discredit the Kishi administration, and possibly to force a reorientation of Japan's domestic and foreign policies.

In Cuba, Fidel Castro's early followers included a number of intellectuals. He attracted more as he went along. They are now carrying part of the penetrating revision of Cuban society.

• **Middle-Class**—Most of these students are from the middle classes—large and powerful in Japan, small but growing in Korea and Turkey. They are older than most U.S. students of comparable grades because they started school later and attended more lower and intermediate grades to get to the college level.

They are a highly select group because higher educational facilities.

especially in Japan, cannot begin to accommodate all who want to attend.

• **And Urban**—The revolutions of 1960 are largely urban revolutions. To some extent, white-collar workers and labor have joined the students. Few of the recent rebellions have been peasant-based, Castro's being an exception.

Indeed, in Turkey and Korea, the rural population generally approved the old regime and was dismayed to see it go. But there the farmers are not well enough organized to stop the city rebels. In Japan, however, strong opposition to the Tokyo student rioters can be expected from the conservative majority in outlying rural areas.

Although the 1960 outbreaks have been violent and blood has been spilled, the revolutionists have been largely unarmed or lightly-armed. Tokyo, Istanbul, and Seoul saw rioting and wild demonstrations, with stone-throwing and fist fights, but with little gunplay. As the Hungarians and East Germans threw rocks at Russian tanks, so Japanese, Turks, and Koreans have thrown stones at government buildings and police. Even Castro, who gained power through guerrilla operations followed by open battle, relied heavily on propaganda to win over major elements of the population.

II. Decisive Role of Armies

The reason more were not killed in the 1960 outbursts lies with the action of the army. While the student-led factions started the uprisings, the army has been the deciding element.

In Korea, after police killed hundreds, Gen. Song's troops at first refrained from acting against the rioting, then actively threw in with the revolutionaries, forcing Rhee out. Had the army decided to stick with Rhee, it certainly would have had the power to tip the balance the other way.

In Turkey, the cavalry broke up the demonstrations, then clamped down martial law. So long as the military favored the Menderes government, Menderes remained in power. But when Gen. Gursel and a group of his officers decided Menderes must go, they arrested him, and his regime fell.

In Cuba, the Batista army was half-hearted and ineffectual against Castro, quitting under relatively light pressure. In Japan, the rioters have gained the upper hand only because the government has refused to use the necessary force to control them. At midweek, the issue was stalemated. Only if the rioters gain the allegiance of the police and army will they be able to force a major change in Japan's political structure.

• **New Links**—That an army and a group of "eggheads" should join forces in a revolution may seem a paradox. Traditionally, intellectuals have often

been ready for changes, but the military is generally considered a conservative element.

Today, however, there are new faces in the officer corps of many armies. Where young officers formerly came from aristocratic families in Turkey, they now come from the middle class. They are the sons of the gradually increasing group of business and professional men. In Korea, moreover, many of the officers were students themselves not long ago—and many of the students are army veterans. Both in Korea and Turkey, officers trained under U.S. military advisers. And many a soldier has brothers and cousins among the students.

III. How Much Change?

The revolutions of 1960 have been political revolutions. They have come because people refused to accept restrictions on their liberties. In Turkey and Korea, the students began their demonstrations to protest inefficient, corrupt, and dictatorial governments. In Cuba, Castro fought to oust a dictator. In Japan, rioters are opposing the government political policies, foreign and domestic.

Indirectly, an economic factor, the so-called "revolution of rising expectations," has been behind the outbreaks. Although there are few common economic conditions in these countries, in each the desire for more of this world's goods is making people restless. Some are striving for the bare necessities of life. Others have basic needs, but see around them a galloping technological advance and want to share in it.

Another cause of the riots—not so facetious as it sounds—is the chance for students to blow off steam, not unlike the "panty raids" on the campus of an American university. A BUSINESS WEEK reporter riding on a train headed for Tokyo this week overheard three coeds discussing whether it would be more "exciting" to join the Main Stream (Trotskyist) or an Anti-Main Stream group in the demonstrations. They finally decided to join the Trotskyites because this group promised more activity.

• **Not Communist-Inspired**—One thing to note carefully is that most of these revolts are not inspired, in their beginnings, by the international Communist movement. The forces that incite people to revolt are already present and acting when the Communists move in and try to turn these drives to their own ends, and thus gain control.

The circumstances differ. In Korea and Turkey, it would have been nearly impossible, given the anti-Communist thinking in each country, for the Communists to infiltrate the revolutions. In Japan, they clearly have influenced the

course of the riots with professional leadership and funds. In Cuba, it appears that they have taken full control of the revolutionary movement.

• **Undigested Democracy**—Perhaps most disturbing to Americans is that these revolts indicate a failure of the countries concerned to absorb the philosophy and workings of democratic government. In Turkey, Korea, and Cuba, the ousted regime had wrapped itself in the trappings of democracy. But in reality, Menderes, Rhee, and Batista did not run democratic governments.

In Japan, the American Occupation imposed democratic institutions on a culture to which they are historically alien. So far, Japan has not digested these institutions. It remains to be seen whether democracy can take hold.

• **Results**—What have the revolutions accomplished? A new start, perhaps, and a more stable government in some instances, but little more. Many have turned to benevolent tyranny, "guided democracy" some call it, for the moment at least. It may be, that having tried but failed to swallow democracy whole, by compressing into a few years what took several generations or centuries in the West, these nations will have to be spoon-fed for a while.

Avub Khan in Pakistan, Nasser in the United Arab Republic, Gursel in Turkey, Sukarno in Indonesia, Frondizi in Argentina, Castro in Cuba—all of whom came to power following an overthrow of the earlier regime—hold power in the name of democracy but wield it as virtual dictators.

In not too different fashion, so do Nehru in India and de Gaulle in France. Korea is now working out a new form of government, based on the British parliamentary system. It's too early to tell how this will evolve. In Japan, general revulsion on the part of a basically conservative, authority-respecting people could lead to a reaction. This might send Japan back to authoritarian government.

So long as the men now in power fulfill the expectations of the revolutionaries—that they will lead their nations without oppression and corruption, even though they rule as strong men—things will probably be quiet. If they abuse that power, as did Rhee and Menderes, look for the students to take to the streets again in rebellion.

IV. Decision for U.S.

This rapid sequence of political explosions, many of them in strategic outposts of the Free World's defenses against the spread of Communism, confronts the U.S. with a dilemma.

As a matter of practical politics, the U.S. wants stable governments it can count on in its allies. Each upheaval

exposes a country to Communist infiltration. This leads the U.S. to oppose change.

In contrast, on the idealistic side the U.S. has its own revolutionary, democratic heritage. The U.S. would find it hard to abandon the role of champion of democracy. This leads the U.S. to sanction moves, even violent ones, toward democracy.

• **Awkward Spots**—Sometimes these contradictory attitudes catch the U.S. in an awkward position—and then official policy inclines to the side of immediate practical politics. State Dept. diplomats say their job is to advance U.S. interests around the world, and this means security through strong allies. They insist that it is not their business to export democracy.

Where the U.S. national interest clearly coincides with support of a revolution with democratic aims, as in Korea, the diplomats are naturally

delighted. Where national interests are on neither side of a political struggle, as in Turkey, they sit on their hands. Where an uprising opens new avenues of advance to Communism, the U.S. national interest may call for backing up a dictatorial regime.

This has sometimes caught the U.S. on the wrong side of the fence, especially in Latin America. Washington has failed to recognize revolutionary forces at work and has continued to deal with those in power, often giving military advice and assistance that is turned against the revolutionaries. Then when the rebels overthrow the old regime, the U.S. is indicted for its support of that government.

• **Decisions to Come**—In all likelihood, the U.S. will have to make decisions about its interests in other revolutions. In Franco's Spain and Salazar's Portugal, young Catholic intellectuals are increasingly restive under rigid church-

state domination. In Indonesia, the intellectuals are unhappy about Sukarno's flirtation with the Communists.

South Vietnamese scholars and farmers are becoming more disgruntled with Pres. Ngo Dinh Diem's restrictive measures and his inability to cope with Communist terrorism. On Taiwan, there may be a struggle for power when Chiang Kai-shek passes from the political scene as native Taiwanese attempt to win more political control.

In the Dominican Republic, the Catholic bishops have harshly criticized Pres. Rafael Trujillo's repressive rule and called for restoration of civil liberties. Paraguayan exiles intermittently mount forays to weaken Pres. Stroessner's rule.

But in all this constant change in new and old countries around the world, one thing stands out. In few countries has revolt yet really pushed democracy forward.



CAMERA company employee, 23-year-old Shizuko Ono, thinks "Kishi must go." Like other young people, she is unsure who should be elected as a successor. She brands Kishi a "fixer" heedless of countrymen.



TROTSKYITE Kazuyuki Tanaka, a leader of biggest faction in student federation, wants a socialistic society and vows willingness to overthrow the present Japanese government by force.



MIDDLE-AGED demonstrator joins students to protest Kishi policies and security pact with U.S. He opposed militarism, which swept Japan in 1930s. "History should never be repeated," he says.

Why Students Stage the Riots

In Japan, as in other nations recently torn by revolutionary seethings (page 22), students have supplied most of the voice and muscle in the disturbances. Their massive demonstrations against the Kishi government and its mutual security pact with the U.S. (pictures, pages 26 and 27) led to cancellation of Pres. Eisenhower's visit—and brought the regime close to collapse.

Japanese students were able to score such a dramatic impact in part because of the way they are organized. After

World War II, in a program to eliminate the previously rigid discipline of university life, student self-government was encouraged. Today, 250 resulting groups at 110 universities are linked in Zengakuren, the National Federation of Student Self-Government Associations, with a claimed membership of 270,000—or about 45% of all Japanese university students.

On occasion, Zengakuren has proved effective at mobilizing student unrest. Police estimate the organization can put 3,000 to 4,000 hard-core followers into

the streets for a demonstration at any hour, night or day. In a time of general uproar, such as last week, Zengakuren probably can command the allegiance of almost all students, at least as long as its activities remain "peaceful." It collects an annual fee of 20 yen, or about 6¢, from each member, but this contribution is almost certainly supplemented generously by the Communist Party—always canny about exploiting turbulent situations.

• **Main Stream and Branches**—However, Zengakuren is not necessarily a



POLICE hold back youths toting flags and banners to proclaim opposition to Japanese government. Demonstrations caused one fatality—a girl trampled in charge on Diet.



MARCH uphill to Diet precedes sitdown in front of building. All in all, some 100,000 students participated, many of them from Zengakuren, the Japanese student federation.



MASSED students and sympathizers jam area in front of Diet during night before security treaty with U.S. was ratified. Such displays had already stopped Eisenhower visit.

servant of Soviet Communism, except as unrest anywhere serves Communist ends. Leaders of the organization can be divided roughly into four groups:

- The Communist League, basically Trotskyist in orientation and known as the "Main Stream" because it has the most members on Zengakuren's central committee.

- The youth affiliate of the Japanese Communist Party, second in importance and called the "anti-Main Stream" group. This faction tends to mouth the Peking and Moscow line.

- The Revolutionary Communist League, still further to the left.

- The Socialist Student League, which is related to the Japanese Socialist Party. Most non-Communist groups look to the Socialists for leadership, but there is an increasing tendency to dismiss the moderates now running the party as "old ladies."

There are no effective youth movements elsewhere in the Japanese political spectrum, so that Zengakuren has no representation from Prime Minister Kishi's Liberal-Democrats or the new rightwing anti-Communist party.

- **Anti-Militarism**—The students' opposition to the defense treaty with the U.S. reflects a pervasive feeling in Japan that the nation erred in the 1930s by embracing the militarism that led to World War II. This attitude is found almost everywhere except among the extreme right. In retrospect, the Japanese feel that the middle class should have taken a stand against the militarists of the 1930s. In the demonstrating against militarism today, students are trying to make up for their parents' failure to do so a generation earlier.

Of course, there are also some professional Communist "students" who have been transferring from university

to university for as many as 10 years.

- **Slogans and Flags**—Student feeling finds expression through Zengakuren in demonstrations with amazing discipline and force. The young men and women, decked out in uniforms, march in battle order in response to directions from leaders running alongside. They chant slogans; they sing revolutionary songs—almost all copied from European Communist and Socialist movements; above all, they do exactly what their leaders order. The students never seem to fall out of step except on specific command. For example, last week when they charged the Diet compound, it was on orders.

Out of the group, however, the typical student demonstrator is perfectly willing to talk reasonably even with an "American imperialist."

- **One of 100,000**—One of the more than 100,000 students massed outside



POLICE are the butt of cries by students demanding release of 150 colleagues taken into custody during previous demonstration.



PROFESSORS at Tokyo University show sympathy with students by taking flowers to shrine commemorating girl killed in crush.

the Diet compound last week was 23-year-old Kazuyuki Tanaka (picture, page 25). Quiet and intense, Tanaka is among the brains of the Main Stream faction of Zengakuren. Like many other Zengakuren leaders, he is from a middle-class intellectual family; his father is public prosecutor for a local court. He is a fourth-year economics student at Tokyo University—which means that in many ways he is one of Japan's elite. The university admits only a small percentage of candidates, after brutal competition, and its graduates usually can take their choice of top jobs in government and business.

However, Tanaka makes plain he wants to build a "socialistic society" for Japan, with the means of production nationalized. He says his group, Trotskyist in its views, will overthrow the government by force if possible. In the past few weeks, Main Stream spokes-

men have said their No. 1 target was to oust Kishi's government, force dissolution of the present Diet, and break off Japanese ties with the U.S. They have claimed that the Diet's two-thirds conservative majority does not represent today's public opinion.

• **Missionary Help**—Another of the demonstrators outside the Diet was Yoshio Hirayama, 20, a student at International Christian University. This is one of the several missionary-supported Christian universities in Japan. ICU was not founded until after World War II. Its purpose was to help break the hold of the state, the Shinto religion, and militarism on Japanese life and to promote understanding with the U.S. It teaches in English and mixes American and Japanese faculty and students (among the students of recent years: John D. Rockefeller, IV).

Despite the Western slant of the school he attends, Hirayama last week was holding a red flag amid wildly snake-dancing ICU students protesting the new security pact. Hirayama said he wasn't a radical—and, in fact, ICU students don't officially affiliate with Zengakuren. Like most of the other demonstrators, he gave as his motivation a desire "to protect democracy." Many Japanese Christians, individually or in groups, have opposed the treaty on the ground that it would help bring back prewar militarism. As Christians and pacifists, they object particularly to Kishi, who held an important job in the wartime Tojo government.

Hirayama professed not to care whether the demonstrations tumbled Kishi and ended the alliance with the U.S. But he termed it a means of showing "public opinion." He, too, is departing from his family's views; his father is a farmer in a staunchly conservative and poverty-stricken area.

• **Zengakuren's Queen**—The group in front of the Diet also included some 200 determined young women on a sit-down—among them Yoshiko Shimodoi, a third-year student at Women's Art College in Tokyo and the "queen of Zengakuren." She is chairman of her school's student group and the wife of a member of the Main Stream's central committee. Last January, she was one of the students who wrecked a restaurant at the Tokyo airport in an effort to prevent Kishi from visiting the U.S.

Miss Shimodoi knows personally the horrors of atomic war: she comes from Hiroshima prefecture, and her grandmother was killed in the 1945 A-bomb blast. She was pessimistic about the radical group's prospects for accomplishing something. But, like many contemporaries, she felt students should attack what they dislike in Japanese society whether or not they can offer answers to the problems.

No Boycott Yet

So far, U.S. consumers don't seem to be retaliating in the market place against the Tokyo riots.

Importers, manufacturers, and merchants are watching carefully for any signs of resistance to Japanese goods as the result of the anti-American demonstrations in Tokyo. But this week, except for scattered incidents, there was little evidence of any major reaction in the U.S. market place.

Some pleas for boycott action came from areas already sensitive to Japanese competition:

• **In the South**, where the textile industry has been calling for stiff restrictions on Japanese imports, there were reports of local action by merchants and consumers. A Miami buyer for a dry goods house reported he was canceling \$250,000 worth of Japanese orders, and he urged other businessmen to follow suit.

• **In Chicago**, Ross D. Siragusa, president of Admiral Corp., asked Americans to boycott Japanese products. Like textiles, the electronics industry has been under stiff competition from Japanese imports, particularly transistor radios.

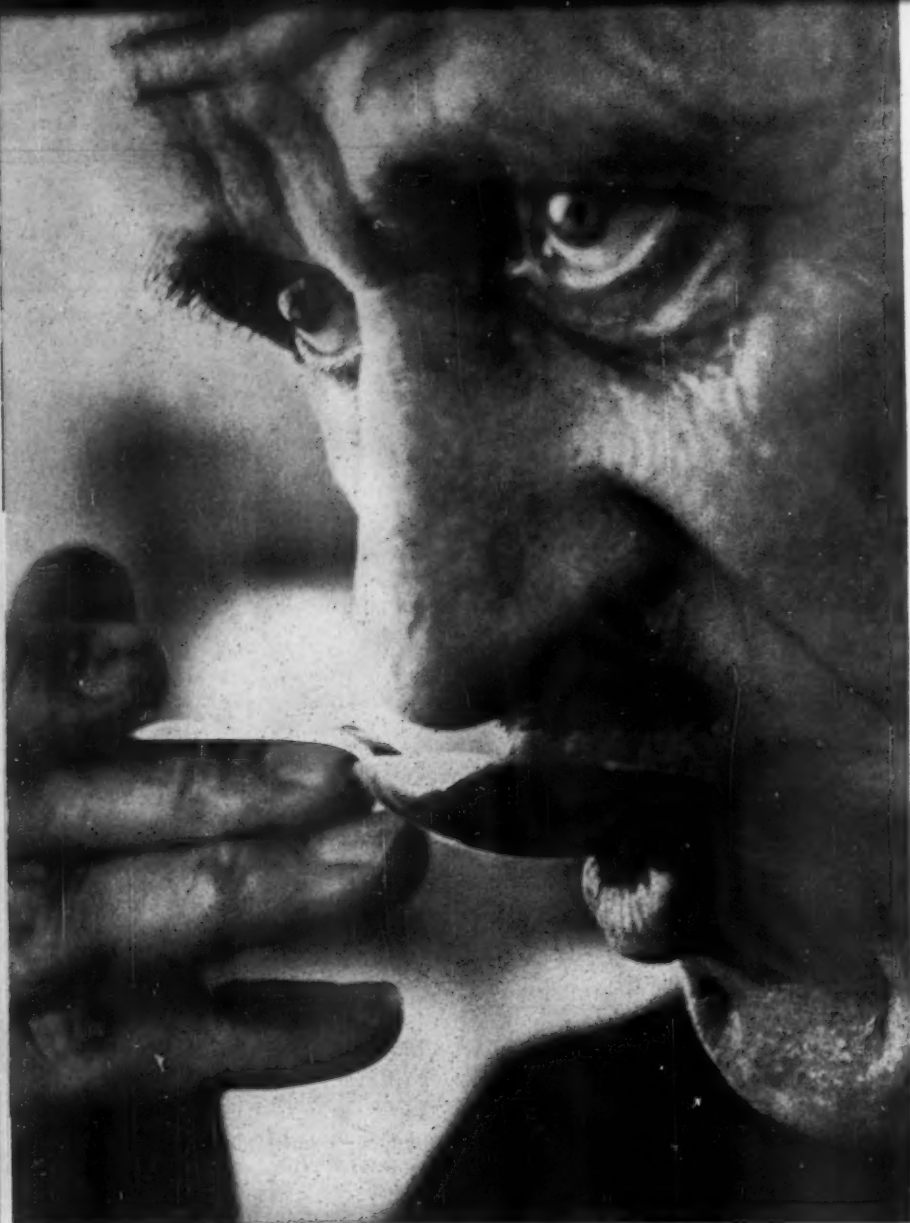
• **In Boston**, city employees asked for a boycott in reply to "the insult to Pres. Eisenhower."

• **Keep Cool**—Charles Percy, a Republican leader and head of Bell & Howell, whose camera business competes with Japanese imports, took an opposite view from that of his fellow Chicagoan Siragusa in pleading against emotionalism. In the same city, importer Robert Sampson (BW—Jan. 4 '60, p. 52) said he had received only one small cancellation from a distributor; he thinks there will be no lasting harm to Japanese-American trade.

San Francisco and Los Angeles report no signs of any boycott move, though some businessmen think a sustained anti-American outburst in Japan might develop one in the weeks ahead.

• **Billion at Stake**—The Japanese themselves expressed some concern over trade relations, fearing losses in the more than \$1-billion of goods exported annually to the U.S. Toy manufacturers, who depend a great deal on U.S. exports, sent an apology to Pres. Eisenhower.

But the biggest U.S. department store chain, Federated Dept. Stores, Inc., said there would be no change in the company's policy of importing Japanese goods. And, in New York, the U.S. branch of Japan's Takashimaya department store had found no evidence of any buyer resistance by midweek.



GUESTS at New York City's new Tea Center sample a brew made from a mixture of teas from

three cups



TEA TASTER C. William Felton, president of Henry P. Thomson, Inc., grades tea by taste, smell, and leaf color (above and left).

Tea Steals a Leaf From Coffee

After getting Mayor Robert F. Wagner to proclaim last week "Tea Time, New York," the tea industry cordially invited everybody to twice-daily teas. At its swank new Tea Center (pictures) just east of New York's Fifth Avenue on 56th St., the industry's Tea Council began serving up a special blend—hot or iced—to all comers.

Like the brewers of beer and mixers of soft drinks, whose constant open house includes samples of the stocks, the Tea Council is brewing more than tea. The Tea Center is another facet of the institutional sell the industry has employed successfully for seven years. Over a cup of tea, its staff will answer

such questions as: "Does dunking a tea bag make tea stronger and faster? Who made the first iced tea?"

Tea drinking guests can examine displays showing how tea is grown, harvested, cured, and properly brewed; and later there will be demonstrations of the art of tea-tasting.

Says Robert Smallwood, chairman of the Tea Council: "The center will be used to educate and inform the American public on all aspects of tea—its romantic origins, its role in American history, and new and better ways of preparing and serving it."

This kind of institutional sell has done well for tea, and is the reason

U.S. consumers drink 30-billion cups a year, and buy 85-million lb. of tea from grocery stores. Also, institutions, such as hospitals, hotels, and restaurants account for an unknown amount.

• **Chief Promoter**—Behind the big consumption figures of tea—and the tea center—is the Tea Council, which was formed 10 years ago during slumping sales. The council is a corporation, whose members are the governments of India, Ceylon, and Indonesia, and U.S. tea trading companies, such as importers. It uses advertising, public relations, promotion, and publicity to boost tea consumption, thus sales.

Its success is obvious. When it was



three countries. Americans drink about 30-billion cups a year, buy over 85-million lb.



RITUAL dictates that the teapot must be preheated, the water freshly boiled, and the tea steeped not more than five minutes.

formed in 1953, per capita tea drinking had been declining for 50 years. Today, the U.S. is second in consumption only to the United Kingdom. Between 1947 and 1952, India, Ceylon, and Indonesia earned \$222.5-million. Between 1953 and 1958, these countries earned \$287.6-million.

Currently, the council is taking a cue from its rival, coffee, and is boosting instant tea sales. For an industry that makes a rite out of tea brewing this would seem to be a difficult turnabout to promote. Yet, instant tea sales are up 60% over last year. Last month, the council started to promote a mixture of iced tea and lemon juice as a summertime drink. Through store displays, advertising, and contests, it will promote the drink on a national scale for the rest of the summer.

Airline Tickets to Be Costlier

CAB allows carriers to up their fares—but less than they wanted—and receives an examiner's proposals on the hotly fought Southern Transcontinental Route Case.

The airline industry got a shot in the arm last week with Civil Aeronautics Board approval of a passenger fare increase of 24% plus \$1 per one-way ticket for the 12 domestic trunk lines.

But the shot was not so powerful as the industry wanted. The carriers had been seeking a fare boost ranging from 5 1/2% to 12%. The new rates, which go into effect July 1, average out to 5% for the industry.

The \$1 ticket charge means a much higher percentage hike for short-haul flights than for long haul. Under the new schedule, for example, the fare from New York to Seattle will rise from \$166.25 to \$171.40, or 2.8%, excluding taxes and surcharges. The cost of a New York-Washington flight will rise from \$16 to \$17.40 or 8.8%.

• **Expected Return**—The CAB estimates the fare boost will tack on roughly \$84-million to the annual revenues of the airlines and "afford the opportunity to achieve a return on investment of at least 10.5% during a reasonably extended period in the future." This is the earnings standard on rate-making set by the CAB last April (BW—May 7'60,p25).

Most carriers don't think the fare rise will result in a 10.5% return. A spokesman for one line said it "will leave us substantially short of it." American Airlines, which had asked the CAB for 4% plus \$1 to bring in a 10.3% return, estimated the fare rise would be worth \$15-million a year and an investment return in 1960 a "shade over" last year's 7.3%, since the increase will be effective only half of this year and costs are rising.

• **Route Proposals**—Confusing the eventual value of the fare increase for most airlines this week were the recommendations of a CAB examiner, Edward T. Stodola. Wrapping up a year of hearings in what is regarded as the last big plum in airline routes—the Southern Transcontinental Route Case—Stodola recommended last Monday that National Airlines be the basic carrier between Florida and California. Stodola also recommended pieces of the route for five other carriers, including an extension of Delta Airlines' system that would have the effect of making it a transcontinental carrier. In all, the Southern Transcontinental Route Case is worth from \$34.8-million to \$88.6-million, depending on the applications of the carriers. During the examiner's hearings last year, National estimated it

could add \$72.5-million to annual revenues. The route was so widely sought that nine of the 12 domestic trunks had made strong tries for a share (BW—May 16'59,p36).

Stodola's proposals to the CAB were:

- National should be permitted to fly between Miami and San Francisco on both a northern leg, making important traffic stops in Texas and Nevada, and a southern leg with stops in Texas and Los Angeles.

- Delta's route should be extended from Dallas and Ft. Worth to Los Angeles and San Francisco with stops in Arizona and Nevada. This is interpreted as authority to fly nonstop between Delta's home base of Atlanta and the West Coast.

For other airlines, Stodola recommended regional routes:

- Denver-based Continental Airlines, which operates between Chicago and Los Angeles and into Texas, should be given nonstop authority between more Texas cities and Southern California, including Los Angeles.

- Braniff Airways, a Texas airline flying to Chicago and New York, should be extended east to major Florida cities.

- Eastern Air Lines should be permitted additional stops in Deep South states such as Louisiana and Mississippi.

- American Airlines should get an extension of its Dallas-Los Angeles flights through to San Francisco.

- **Boost for National**—The recommendations of Stodola, if adopted by the CAB, would give National control over Southern transcontinental traffic and raise the carrier from small trunk status to large. By virtually ignoring the large carriers, the CAB examiner is attempting to strengthen the small carriers. This week the big trunks complained that this would be at their expense. Trans World Airlines had applied for the transcontinental route, but it was not mentioned in Stodola's proposal. Eastern, which had applied for all 28 cities in the case plus the continental haul, was virtually ignored. American, which operates between Texas and California and is a partner in a system of interchanges that permit passengers to fly the southern route now without changing planes, estimates that proposals could divert \$40-million in revenues.

Stodola, in issuing his proposal to the CAB, said it would continue the board's "long-standing but too often-neglected policy of strengthening the smaller carriers."



SYMPATHETIC—Interstate Commerce Commission under Chmn. John H. Winchell (seated, left), now an all-Eisenhower body, is likely to go along with merger moves that will remake rail map. It lacks one member since A. F. Arpaia (right of Winchell) resigned.

ICC Gets Rail Revamping Job

The men in the picture above—members of the country's oldest federal regulatory agency, the Interstate Commerce Commission—have a large-sized job cut out for them. They appear destined to preside during the next few years over the remaking of the nation's railroad map.

The railroads, hard-pressed by rapidly growing competition from airlines, trucks, barges, and oil pipelines, are making up for lost time by seeking strength through merger (BW—May 28 '60, p. 34). And the merger issue has now been dumped squarely in the ICC's lap.

Some of the simmering merger proposals have now officially reached the commission—the most exciting so far being the proposed melding of the Baltimore & Ohio and the Chesapeake & Ohio, two major haulers of freight. The New York Central, second largest U.S. rail carrier, has put the question as a whole up to the regulatory agency in a request for a study of the whole merger movement that would determine the ground rules for consolidation.

• **Favorable**—What the outcome of the merger movement will be is still conjectural. But if all the proposals result in marriages, they would produce some startling changes in historic transportation patterns—most likely, a growing regionalism of railroad systems and the emergence of a few giant carriers in each section of the nation.

Whatever its rulings may be in spe-

cific cases, the ICC in its present make-up is likely to take a willing and active role in the transformation. The present commission—an all-Eisenhower body—is on average a younger commission than when Eisenhower took office.

In its present make-up, the ICC is also more willing to lend a ready ear to the needs of the railroads in the hotly competitive transportation battle, and more inclined to go along with moves to strengthen them. In fact, it appears ready to go along with just about any merger that will bring strength to the railroad industry.

One straw in the wind: The first major merger approval of recent times—that between the Norfolk & Western and the Virginian Ry.—sped through the commission last year in a matter of only a few months. ICC Chmn. John H. Winchell, though declining to discuss cases before they are heard, points out that "the ICC has for decades urged railroad mergers."

• **Opposition**—Rail merger proposals, of course, will not have a clear road. The merger overtures are being viewed with deep concern in some quarters. Competing carrier systems—truckers and barge lines, particularly—see the proposed mergers as moves aimed at wresting from them their hard-won traffic gains. Antitrusters in the Justice Dept. are keeping a watchful eye on the terms of merger negotiations.

It's not the Justice Dept., however, but the ICC, that has the final govern-

ment say about mergers in the railroad industry.

• **Collision of Giants**—The wave of merger proposals represents an effort by railroads to cure by union the ills resulting from duplication of facilities, costly freight competition and overhead loads. But basically, the impetus comes from outside—from the leapfrog growth the trucks, barges, and other nonrail carriers have experienced since World War II.

Through World War II, the railroads were still the country's dominant carriers. In 1947, for instance, the rails still carried two-thirds of interstate tonnage. By 1959, however, their share had dropped to about 50%. So, merge or die has become the cry of the railroads.

But the flurry of merger moves also represents the shattering of the truce among themselves that the nation's railroads have honored in order to present a common front to the competition. In the East, the headlong dash to embrace other lines has brought a collision of the giants.

The New York Central has been viewing with alarm the merger plan of the C&O and B&O, which would elbow it out of its No. 2 spot among the U.S. rail systems (second only to the Pennsylvania). The New York Central is also uneasy about the prospects of a possible eventual hookup of the Norfolk & Western and the New York, Chicago & St. Louis (Nickel Plate),

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which have already announced their own merger plans, with the Pennsylvania.

The New York Central's request for an over-all ICC study of the merger question is viewed as a delaying action to give the railroad time to try to work out a spot for itself in the merger picture.

• **New Entry**—The highballing merger movement has also awakened fears among the smaller roads. This week, David O. Mathews, president of the 862-mile Chicago & Eastern Illinois, announced he would petition ICC to include his line in any amalgamation of the C&O and the B&O.

Mathews said he was concerned lest smaller lines perish if they were left out of the merger plans of the major roads. This, he said, "could conceivably undermine the entire railroad industry."

"The only practical alternative to including the small railroads in these proposed combinations at the outset is for the government to acquire them," he said.

As the giant rail systems jockey for position in the coming railroad transformation, the decisions the ICC hands down will play a big part in the direction the transportation industry will be traveling in the next few years.

• **Judicial Role**—The ICC, in its regulation of the transportation industry, exercises mainly judicial functions. Members insist they do not and should not attempt to initiate broad policy. Chmn. Winchell states the commission's view in these words: "The ICC acts in a judicial capacity. It is up to the Congress to establish the national policies for railroads."

Winchell says the ICC will follow established practices in dealing with the merger study asked by the New York Central. That is, it will not undertake an independent investigation, but will hear the Central's arguments as part of the merger cases. It will wait to hear the evidence presented before it in hearings later this year. New York Central's request will be heard first by a hearing examiner, then submitted to a three-man board of commissioners, then probably to the full commission for a final ruling.

Currently, the ICC is short one of full complement of 11 members, since the resignation of Anthony F. Arpaia on Mar. 15. The Democratic majority in the Senate held up confirmation of Pres. Eisenhower's latest appointee, Timothy Murphy.

• **More Flexible**—The ICC, created in 1887, has long been criticized for conservatism—"musty, fusty, and dusty" is one characterization—and for undue delay in reaching decisions. It has not generally been regarded as a strong federal agency in the sense of taking the lead in pushing for new national

transport policies. Each commissioner has equal powers. A new chairman is appointed every year and has little time to put his personal imprint on the commission.

The commission, in its present make-up, however, has shown somewhat more flexibility in dealing with matters before it recently. And in the past several years it has shown signs of adjusting to the new ferment in the transportation industry. It has moved with what might almost be called supersonic speed—for the ICC—in handing down a dozen major decisions that have resulted in major changes.

• **Aid for Rails**—Some of these decisions have benefited truckers as well as the rails. But most of the major decisions have helped the roads.

These decisions have raised howls of protest from other carriers, who loudly protest that the commission is railroad-minded. But the commission has taken the same view expressed in Congress and the Administration—that the rails have been a sick industry needing help.

In 1958, Congress passed a Railroad Relief Act that, among other things, appeared to grant the rails greater freedom in setting rates for freight in competition with other carriers—though this interpretation is disputed by other carriers.

Loew's to Add Hotel to Theater Chain

Company plans New York hotel in its first big diversification since separation from movie-making parent.

Loew's Theatres, Inc., this week took its first big step toward diversification by breaking ground for a 21-story, 800-room hotel, the Americana, on Manhattan's East Side. The structure will rise on the site of Loew's Lexington Theatre, which has been razed.

The hotel will be Manhattan's first since the Waldorf-Astoria was built in 1931 one block to the south.

Until March, 1959, Loew's Theatres was the exhibition arm of Loew's, Inc., in the U.S. and Canada. But, like other major movie makers, Loew's had to give up its chain of theaters under a 1952 consent judgment that grew out of antitrust proceedings initiated by the Justice Dept. in 1938. The separation went into effect last year.

When Loew's Theatres finally went its own way—after prolonged bickering won by Loew's, Inc. stockholders—it had a string of more than 100 theaters, nearly half of them in the New York City area. It sold five that were losing money, modernized some, and began to think of tearing down others whose locations made the ground they stood on more profitable when put to new uses.

• **Logical Venture**—The move by the

Using the 1958 law, the commission has approved (1) volume rates (flat rates for a carload, regardless of whether the shipment is feathers or heavy machinery); (2) agreed charges, whereby a lower rate is quoted a shipper who contracts to give his traffic to the road involved; (3) lower rates for coal where the railroad faces competition from an electric utility that would otherwise burn the coal at the mine instead of the city. And it has refused to force the railroads to file joint rates with the waterways where rail-water haul is involved.

In other cases, the commission has eased up on rules pertaining to abandonment of trackage; agreed to passenger fare increases; opened up a whole new transport method by approving "piggyback" facilities for hauling truck-trailers on flat cars.

• **Second Big Issue**—Aside from ruling for or against coming mergers, the commission has another monumental issue before it. This is a case in which the Southern Pacific and the Illinois Central are applying to take over the John I. Hay Barge Line on the Mississippi. A favorable decision could set a precedent for the railroads to move into other forms of transportation—barges, trucking networks, perhaps even airlines can be included.

Loew's Theatres into the hotel business is easily explained. Laurence A. and Preston R. Tisch, brothers who own or operate seven hotels and motels including Florida's Americana, won control of the company last year and now have a 23% stock interest. And Laurence Tisch, chairman of the company's executive committee, assigned himself the job of looking for opportunity to diversify.

Because it possesses hotel savvy in the persons of the Tisch brothers and also has a big wad of cash, Loew's Theaters will announce plans for six other hotels and motels in the next 12 months, says Preston Tisch. It will not restrict itself to theater properties, however. Some of these sites may not be suitable or the theaters may be good money makers.

• **Still Looking**—Nor is Loew's Theatres restricting its diversification to hotels. The company still wants to buy "a big company with earnings" in any line of business, says Pres. Eugene Picker. "If Stanley Warner Corp. [which took over Warner Bros. theaters] can sell brassiers and girdles, there is no field not open to us," he said.



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Steel's Turnaround Set for July

● That's when steelmen think the year will touch rock-bottom and start to improve, with a better operating rate in August as auto demand picks up.

● But they aren't hoping for miracles. Warehouses, one of their biggest markets, are glutted, and autos, with the compacts so popular, aren't taking so much steel.

● The industry will be satisfied with a 75% operating rate in the fourth quarter, matching consumption.

Two months ago, steelmen were figuring that April must turn out to be the low point of the year. Now they're looking at July as the ebb in 1960 operations—they're confident that the operating rate will start climbing again in August.

Even if it does, though, the steel industry is going to find some of the pep gone from its two largest markets: autos and warehouses.

• **Glutted Warehouses**—The latter already are full of steel and have been for months. And they're bearing the brunt of continuing import competition. Imports are down a bit after a four-month spree at the start of this year, when foreign steel flooded in at rates better than 50% ahead of 1959.

Even more significant an indicator of the steel warehouse market is this: United States Steel cut warehouse prices this week "to meet competition." Hardly anything could be more official than that.

• **Shrinking Autos**—As for autos, the 1961 model year is the thing that's expected to spark the turnaround in steel's operating rate. Even so, it'll be a smaller market, no matter how good an auto year 1961 may prove to be. That's because so much of Detroit's product will be in smaller cars.

Steelmen wince a little when you bring it up, but they agree that the compact car is accomplishing something no competitive material has been able to do—namely, to cut down the amount of steel per car. The impact of the compact, steel's commercial research men agree, is about three to two; it takes three compacts to use up as much steel as two standard cars.

How hard this will sting steel depends, of course, on the rate at which compacts are built. During the 1961 model year, steelmen agree fairly widely, compacts will run about 35% of domestic production—and one Detroitier told Pittsburghers some time ago that compacts may go well beyond that as a proportion of 1961 production, although not so high as 50%.

One steel marketer put the prospect thus:

"If you assume a 35% rate for compacts next year, we'd have to produce 9.3-million passenger cars to equal the automotive steel consumption in the record year of 1955."

In 1955, which also was steel's record year, Detroit took 18.7-million tons of steel and produced 7.9-million passenger cars. It hasn't come close to that figure since. If the compact car continues to be popular, it'll be a long time before Detroit takes that much steel again.

• **Not Aluminum's Year**—There's one aspect of the forthcoming model year about which steelmakers can be happy, however, and it's this: 1961 will not be the year in which aluminum starts to displace steel in autos.

For months, aluminum people have been hoping it would be. Their target for the forthcoming model year had been bumpers. They won't be standard on any domestic 1961 cars. Undismayed, the aluminum industry now looks to 1962.

• **Long Argument**—When you combine the questions of aluminum and of compacts, you provoke one of the most intriguing—and speculative—discussions it's possible to find anywhere in steel's commercial spectrum.

You can find a few steel people who figure that the compact car will give aluminum its best opportunity ever to displace steel in automobiles. Naturally, this is a proposition at which most steelmen snort and with which aluminum people are inclined to agree.

The arguments on each side are endlessly complicated: Is Detroit trying to build longer service life into its products? Will light weight and corrosion resistance contribute enough to economy to offset higher raw material costs?

Probably the most significant thing about it is the fact that it's so easy to get such an argument started in Pittsburgh. When steel was setting records five years ago, only the stainless producers ever mentioned autos and alumi-

num in the same breath. Today all steelmakers do.

And they speak frankly of chemical companies as well as aluminum producers as competitors for auto business, whether as fabricators of plastic dashboards or as makers of corrosion-retardant coatings that might be displaced by galvanized steel sheets. Not even aluminum people figure that steel will be displaced as the principal structural material for autos. But even the most conservative steelmakers agree they face more competition than ever in their largest—and often finest—markets.

• **Turnaround**—When they examine their business as a whole, steelmen wish they had July behind them. They figure that order volume will turn up then, to be followed in August by a recovering operating rate.

The principal factor in that turnaround, of course, will be automotive orders for the traditionally heavy fourth-quarter car production. But the commercial research men argue there'll be a good deal more to it than that.

Steel orders will start to flow in a broad list of products, they insist, simply because steel is being consumed so much faster than it's being produced. For a month, they argue, consumption has been 10 to 15 points higher than the operating rate. In July, the disparity will be 15 to 20 points—and for a week or two it could be even greater than that. Any such drawdown, steel people argue, can continue only so long. After that, orders will have to start again even if there isn't a ton added to inventory.

This reasoning doesn't project a big fat operating rate in the fourth quarter. Mostly, the guessing is that it'll average about 75%—nicely in line with what the industry believes the steel consumption level to be. There's some disagreement as to whether there'll be some small inventory rebuilding during the fourth quarter on the more popular products such as cold-finished and coated sheets, perhaps even plate.

You can find market analysts who think inventories will be drawn down so low by Labor Day that there'll be some scrambling for position on the order boards, some lengthening of delivery times, some temporary pinch in supply. And you can find other steelmen who simply can't see it—who insist that both ingot capacity and product capacity are so far ahead of the best prospective demand that lead times won't lengthen a bit.

Whichever is correct, it won't happen until after a miserable July—and August will be better only in that it will have turned the corner and started back up again.



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In Business

New Indictment Charges Price-Fixing By Makers of Electric Motor Controls

The parade of antitrust indictments against electrical equipment manufacturers continued this week. Like earlier charges, they involved alleged price-fixing and bid-rigging on government and private contracts, but this time the products in question were controls for electric motors.

Companies named in an indictment handed down by a federal grand jury in Philadelphia were General Electric, Westinghouse, Allen-Bradley Co., Clark Controller Co., Cutler-Hammer, Inc., and the Square D Co. In addition, five officers of the companies were accused of antitrust violations in connection with the case.

The jury described Allis-Chalmers Mfg. Co., Arrow-Hart & Hegeman Electric Co., and Ward Leonard Electric Co. as co-conspirators but did not indict them.

According to Justice Dept. estimates, the accused companies each year sell about \$262-million worth of industrial control equipment—about 75% of the U.S. market. The antitrusters charged that they have been conspiring since 1953 to “do away with price competition” in selling the equipment.

Navy, Air Force Team Up to Fire Two Satellites With Single Launcher

The Navy and the Air Force this week fired two satellites into space with a single launcher. The Navy designed and built the satellites—Transit II, a test model for navigation aid, and a smaller one for measuring solar radiation. The Air Force provided the launcher, a two-stage Thor-Able-Star missile.

The 42-lb. smaller satellite rode aloft pickaback on the 223-lb. Transit II, and kicked off ahead at an altitude of some 500 miles. Both satellites are expected to orbit for at least 50 years, with radio transmissions for five years.

40% Interest in Springfield Papers Sold to Newhouse, With Option for 45%

Samuel I. Newhouse, owner of an extensive chain of newspapers that includes the St. Louis Globe-Democrat and the Portland Oregonian, added to his holdings this week when he bought 40% of the stock of the Republican Co., which publishes the Springfield (Mass.) Union, Dailey News, and Sunday Republican.

Newhouse bought the stock from the relatives of the late Samuel Bowles, founder of the papers. At the same time, he acquired an option to buy an additional 45% of the Republican Co. from the widow and chil-

dren of the late Sherman H. Bowles, when and if they regain control of their stock.

These shares are now voted in trust by the Republican Co.'s Employees Pension Fund pending repayment of a loan made by the fund to the family to pay its estate taxes.

The remaining 15% of the Republican Co. stock belongs outright to the pension fund.

Zenith, RKO General Seek License To Broadcast Pay-TV in Hartford

Zenith Radio Corp. and RKO General, Inc., have asked for a license to operate Hartford (Conn.) UHF station WHCT in the first regularly broadcast pay-TV program in the U.S.

They plan a three-year test on a subscription basis, with most programs costing 75¢-\$1.50, and extreme ranges of 25¢ to \$3.50. Zenith will supply RKO with coders and decoders on a cost-plus basis, with the price going up if the station makes a profit.

RKO figures it will cost \$1.7-million to set up a system servicing 10,000 sets and another \$1.3-million for the first year's operations. The cost of programs will be on top of that.

High Court Rule Leaves Excise Tax On Home Air Conditioners Dangling

The Supreme Court this week ruled on the tax status of an estimated 50,000 household air conditioners—but the ruling didn't settle very much just yet.

In a 5-4 decision, the court upheld Internal Revenue rulings of 1948 and 1954, specifying that manufacturers must pay a 10% excise tax on air conditioners of less than 1 hp., but not on more powerful models. However, the court instructed the Court of Appeals to decide whether the measure should be rated on actual horsepower.

This case, involving two air conditioners made by Cory Corp., is a test that may involve tax liabilities as high as \$500,000. It does not affect air conditioners being sold now; since last December all the appliances are taxed regardless of horsepower.

Semiconductors Grown From Vapor

New processes for growing semiconductor crystals from an iodine vapor were shown in detail this week by International Business Machines at its Poughkeepsie, (N. Y.) labs.

IBM considers its vapor growing as a major breakthrough that will enable it to turn out extremely complex semiconductor circuit devices, some of which will cut down the number of circuit elements in a computer by as much as 90%.

Other companies, including Merck & Co., are well along in similar work.

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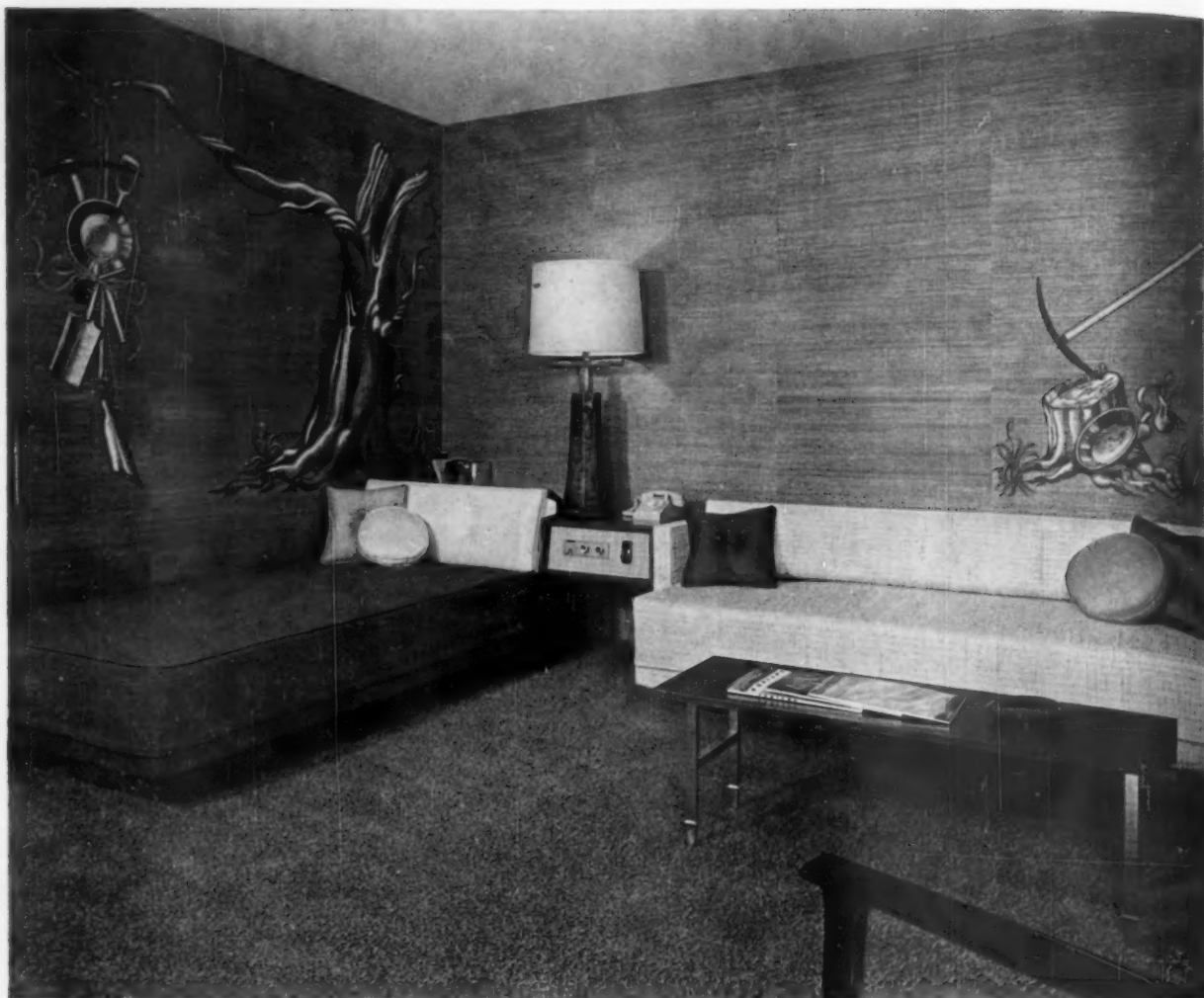
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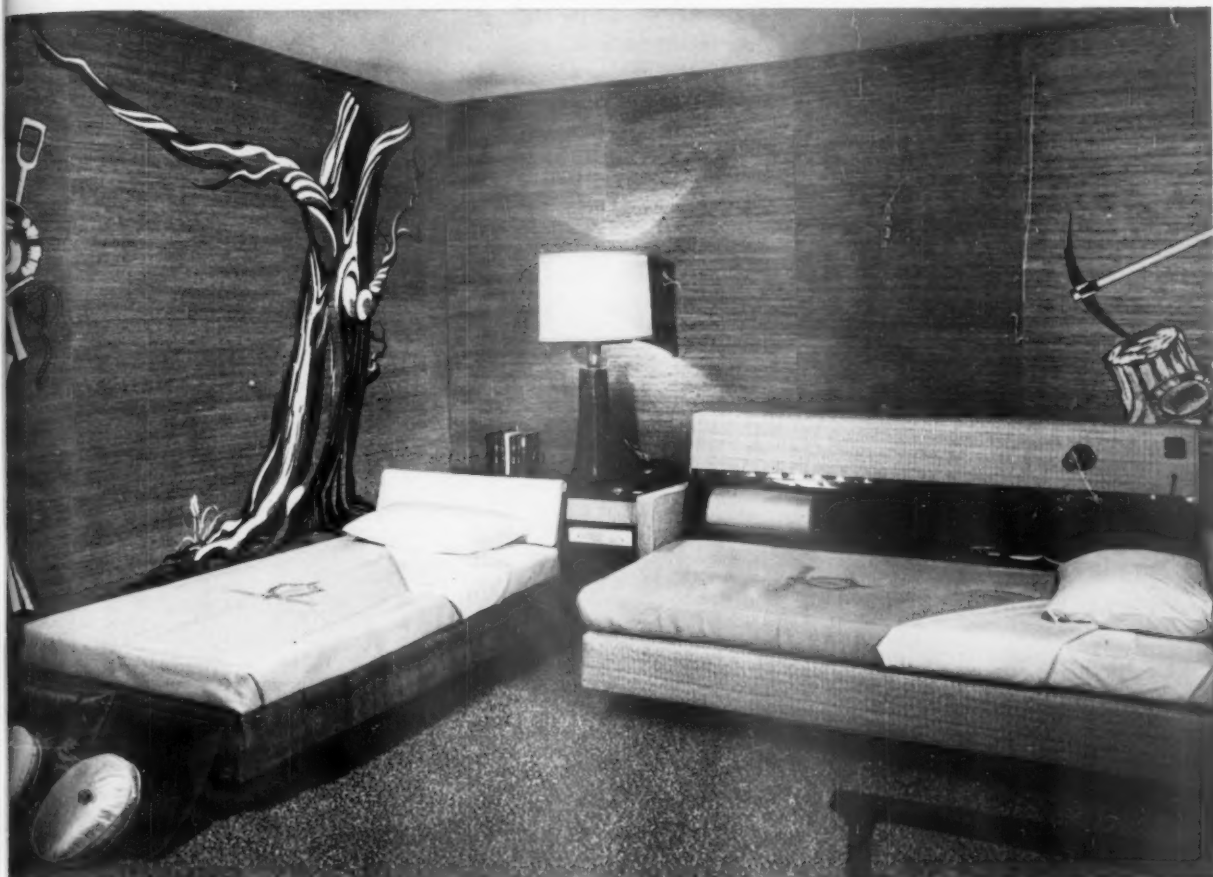
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COMFORT . . . CONVENIENCE . . . COLOR—Rooms of the new Denver Hilton have been designed and furnished by Duo-Bed for gracious entertainment and business conferences as well as the ultimate in sleeping luxury. For those who want to work in their rooms, one section has typewriters permanently located in an efficient desk. Specially designed wall coverings are classic interpretations of local lore. The room shown here has an arrangement of gold miner tools, including the miner's pan containing gold nuggets that look as though they could be lifted off and a framed collection of minerals of the area. These decorations are so colorful and unusual that the hotel plans to keep one of each series open for inspection as a tourist attraction.



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AROUND THE COUNTRY OR AROUND THE WORLD. FIRST NATIONAL CITY KNOWS

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JUNE 25, 1960



Presidential politics get a final test before the conventions. The place: Glacier National Park, Mont., where the 52nd Governors' Conference will be held Monday, Tuesday, and Wednesday.

Officially, the Governor's Conference takes up state problems, safety, civil defense, pensions, federal-state relations, and so on. But these conferences have been crucial in past Presidential races.

In 1948, groundwork was laid for later convention confirmation of the Dewey-Warren ticket; in 1952, Republican governors signed a manifesto on convention seating of delegations—a move that swept Robert A. Taft out and let the Eisenhower bandwagon in. Also in '52, Gov. Stevenson found support enough to make his first bid.

The Glacier findings will determine strategy for Gov. Rockefeller, particularly, and for Democratic candidates as well. Rockefeller will be in the limelight. Though there are precious few Republican governors—only 15—he and his lieutenants will get a reading on whether there is any chance for him against Vice-Pres. Nixon at Chicago in July.

This could be a crucial week for Sen. John Kennedy. If there is to be a new boom for Adlai Stevenson, Glacier would be the place for it to start. At any rate, Kennedy men will be working the corridors to try to nail down delegates to clinch the nomination. What Kennedy needs greatly is to show proof that his strength is more than one-ballot deep.

The two men to watch for signs of switch are Govs. Edmund (Pat) Brown of California and David Lawrence of Pennsylvania. Both lead big and disciplined 81-vote delegations; both are Roman Catholics; neither has tipped his hand yet, though both are basically Stevenson men. Lawrence could start a Stevenson movement if he sees bedrock support from the governors; Brown probably would follow. Kennedy, of course, hopes to convince them, as he did Mayor Wagner of New York this week, that the Kennedy bandwagon is rolling and the nomination is all but won.

Kennedy is building on his lead. He has Govs. Tawes of Maryland, DiSalle of Ohio, Williams of Michigan. Wagner's endorsement indicates Kennedy strength runs fairly deep in the New York delegation. Mayor Daley of Chicago bears watching for a break in the Illinois delegation. Between now and July 18 in Los Angeles, these big state governors and mayors, in combine, can determine the outcome of the convention.

Eastern Democratic liberals write off Symington as the alternative to Kennedy. Witness Mrs. Roosevelt's remark that Symington scarcely rates serious consideration. Significant also: Mrs. Roosevelt for the first time gives Kennedy a kind word, although she still wants him only to run for Vice-President with Stevenson at the top. But the message is there: If the New Deal group can't whomp up a Stevenson boom, they will go to Kennedy. They feel Symington's supporters, particularly ex-Pres. Truman, are really for Sen. Lyndon Johnson of Texas, the New Dealers' last choice.

Nixon is answering Rockefeller's demand that he be specific. The farm and business speeches this week will be followed by major policy statements on military and foreign affairs. Nixon is emerging as proponent of Eisenhower's policies on fiscal affairs and spending; he is groping for something new in farm programs—shying away from Secy. Ezra Benson.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JUNE 25, 1960

Nixon repeats his promise for major business tax reform. His St. Louis speech is a follow-up to his Harvard address of more than a year ago. As his way to stimulate growth, he proposes reshaping the income tax to reduce the top-bracket rates.

His antitrust views are firm, like the present Administration policy. He is equally tough-talking about labor abuses.

He would continue the Administration's money policies, and talks the way Eisenhower does about making sure that economic growth is accomplished but not at the cost of inflation.

So far, there has been just a brief glimpse of a part of Nixon's farm program: He knows he has to make a sharper play for the farm vote—which he has for many months said is crucial to a GOP victory this November.

Nixon suggested distributing surpluses through the United Nations to hungry peoples, stockpiling converted grain for use after an atomic attack, expanding research on ways to convert crops into marketable products, and extending the soil bank, which pays farmers to take land out of production.

Still to come: "New solutions" different from any of the past five years. But they will be expensive: Nixon says the government helped get the farmer in his present fix and hence must share the cost of getting him out of it.

Henry A. Wallace talked with Nixon on farm policy before the North Dakota speech. So did Roswell Garst, the Iowa farmer who played host to Khrushchev.

—•—

Congress is trying to figure out what to do about wheat support. The issue: How to cut acreage while holding or raising the present \$1.78-per-bu. support price—and still get a bill Eisenhower would sign.

—•—

Senate Democrats are refusing to O.K. Eisenhower appointees to the Federal Power Commission and the Federal Trade Commission. They have pigeonholed for the rest of the session nominations of Paul A. Sweeney and Thomas J. Donegan to the FPC and Earl W. Kintner to the FTC. (Kintner, now chairman, serves until September.) The President will be forced to give the men recess appointments after Congress adjourns; then the next President will make his choices. Some appointments are clearing smoothly, though:

Robert E. Lee is being approved for another term at the Federal Communications Commission.

Gen. John S. Bragdon will be confirmed for the Civil Aeronautics Board.

Adm. Ralph E. Wilson will go on the U. S. Maritime Commission.

Timothy J. Murphy will be O.K.'d for the Interstate Commerce Commission.

—•—

The minimum wage bill is coming to its final test. The House and Senate committees have approved a bill to raise the minimum by steps to \$1.25 an hour, more than Eisenhower wants. But Republican supporters of Nixon will attempt to persuade the President to take the measure if it clears Congress.



words that changed the world

Six months after Tom Paine wrote "Common Sense" the drums of the Revolution rattled through the land. America arose. A new concept of life was born.

Today, in quieter tempo, other words that change our world are those of science and industry. Petrochemistry, for example. Through this growing part of our business, natural gas and oil yield a host of useful products. Tires, plastics, fertilizers... paints, detergents, drugs...many more.

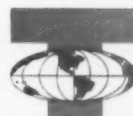
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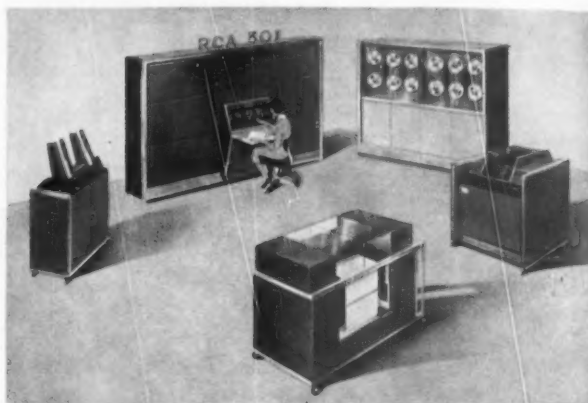


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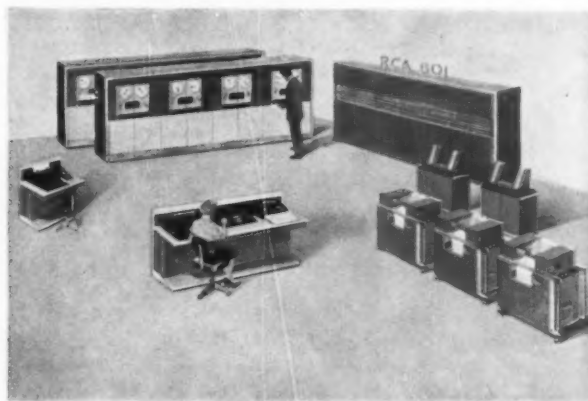
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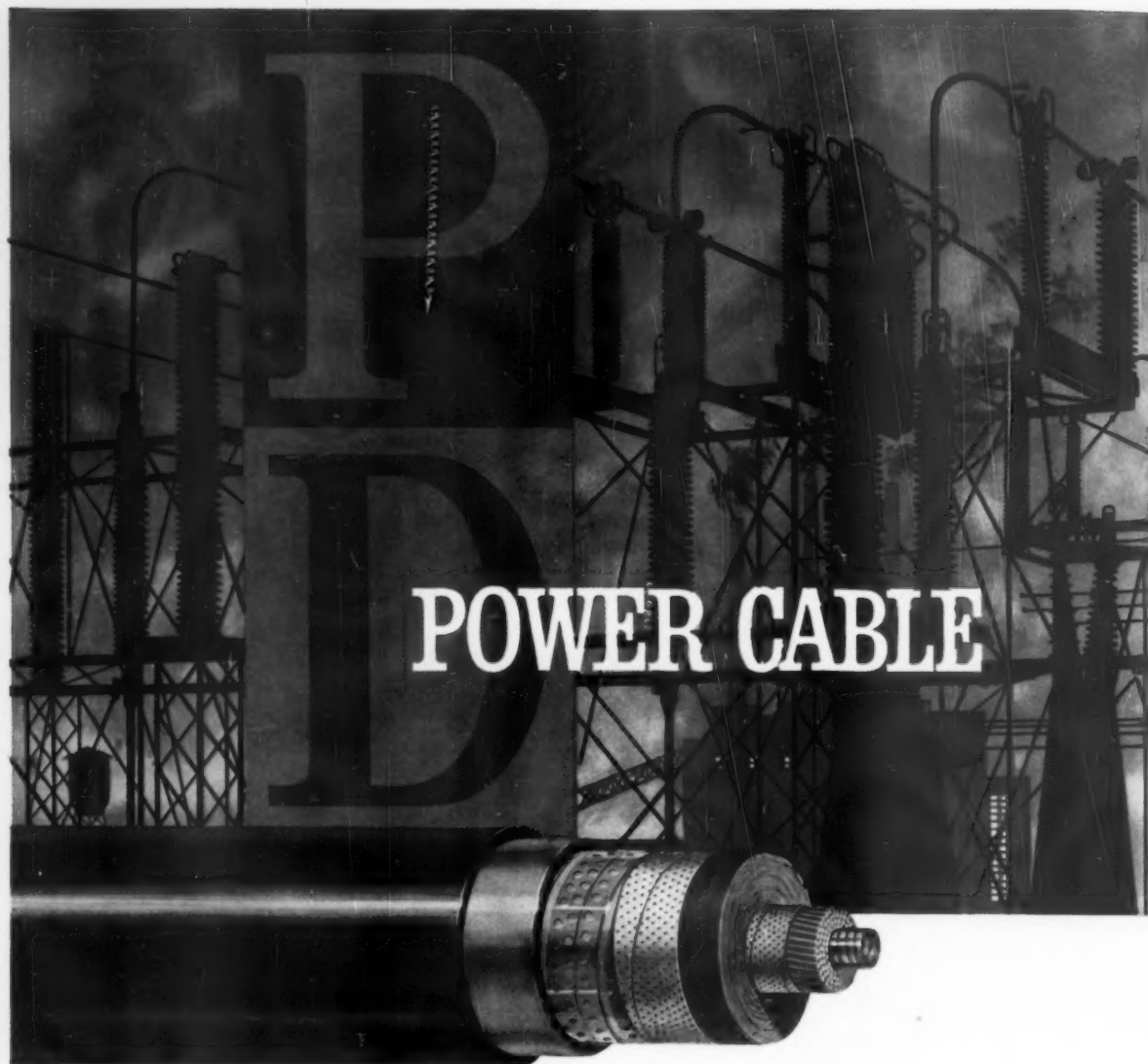
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Wider Net for Catch-All Union

District 50 extends organizing to still greater variety of workers often overlooked by the old-line unions.

"We'll organize anybody, anywhere, anytime"—the old familiar watchword of John L. Lewis' catch-all District 50—is beginning to be a threat that packs a wallop.

In recent months, the quiet, purposely unobtrusive United Mine Work-

The Teamsters' Pres. James R. Hoffa says that IBT is now going out to organize "anything and everything in sight, anywhere," a slogan—and goal—reminiscent of those of District 50. There are some similarities in the bulky, powerful IBT and the smaller UMW affiliate. There are more differences.

Hoffa's Teamsters brag about successes that have boosted IBT's membership, but District 50, as always, avoids publicity if it possibly can.

Here is District 50's record:

- Once the stepchild of the miners' union, District 50 with over 200,000 members now outranks the active UMW coal miner membership.

- In April and May, District 50 added an estimated 5,000 new members; in May it signed up 30 new employers.

- In that same 60 days, District 50 won 70% of the National Labor Relations Board elections in which it took part—much better record than the all-union average of 58.5%.

- **High Potential**—Most important, District 50 is making its biggest headway in industries in which it already has the most members—the chemical and construction industries—and in which the organizing potential is still high. It is also still scoring gains in the non-union retail and service trades and, in some cases, taking over the territory of other unions.

One of District 50's recent victories was over the Teamsters at the A&P in Terre Haute, Ind. A couple of weeks ago it won an NLRB election for stevedores at the Toledo Overseas Terminals, Inc. (BW—May 21 '60, p.80), by defeating the International Longshoremen's Assn. It has routed AFL-CIO chemical and aluminum unions.

I. A New Reputation

For years, District 50 has been considered a maverick by labor bigwigs who were amused by its organizing oddities and the varieties of workers in its ranks.

It has organized across-the-board whenever the opportunity has opened up. It recognizes no jurisdictional lines and no jurisdictional limitations. It has been willing and able to go anywhere—mostly because of the financial backing given by the parent United Mine Workers, the country's richest union.

- **Lewis' Magic**—District 50 has been helped, of course, by the old magic of the John L. Lewis name. "People are still writing to Lewis asking him to or-

ganize them," says a UMW aide. "We'll probably be getting letters addressed to him for the next 50 years."

But while Lewis' reputation helped, his policies hampered District 50's growth. In protest against the Taft-Hartley Act, Lewis refused to sign the law's non-Communist oath. This barred the UMW and its affiliated District 50 from using NLRB election machinery to win representation rights.

Until this oath provision was repealed by the 1959 Landrum-Griffin law, District 50 could not openly challenge the jurisdiction of other unions and it was vulnerable to raids by other unions. If challenged in an NLRB election, District 50 was limited to urging its supporters to vote "no union"—they couldn't express a preference for the UMW affiliate.

Everybody knew that this caused District 50 plenty of trouble in the 12 years of the Taft-Hartley non-Communist oath. However, outsiders couldn't



Mariners belong to UMW's District 50.

ers affiliate has been on the move. The 25-year-old union-within-a-union has begun scoring in what it now describes as a strong organizational campaign. It signed up minor league baseball umpires, casket makers, shoe salesmen, deck engineers, bakers, radio station technicians, gas station attendants, and stevedores (cartoons).

- **Sizable Gain**—District 50 is the top organizing union today, after the league-leading International Brotherhood of Teamsters. While AFL-CIO unions are having a hard time merely holding their own, these two independents have racked up sizable membership gains.

Significantly, both are scoring in territories where unions have feared to tread before and in industries where unions still have barely a foothold.



Casket-makers in coal fields do, too.

tell how much trouble because the union's officials showed no disposition to make District 50's position public.

- **It's Public, Now**—The new labor reform law has changed this. District 50—along with other unions—must put some of its records in public files, where they can be inspected and publicized. This has taken some of the mystery out of the union. It has revealed its strength (to many, a surprise) and something



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Taxi drivers in Pittsburgh are in 50.

of its dependence through the years on parent UMW.

According to the reports, District 50 and its construction and marine divisions collected dues from an average of 185,867 members during the last four months of 1959. Its actual membership is probably somewhat larger than that.

The union's financial report shows that it owes parent UMW more than \$22-million for loans to support its far-reaching operations over more than two decades—most of the money borrowed in the founding days of the organization.

District 50 has some 3,400 contracts now, many with small employers for only a few unionists—with barber shops in Toledo, for example. Others are with such large employers as Dow Chemical, American Cyanamid, Sherwin-Williams, Glidden, Johns-Manville, Scott Paper, Morton Salt, Pittsburgh Plate Glass, and General Mills.

The reports have helped District 50; it is being revealed as more than a paper union. This has made it more attractive to workers. As a result, it no longer concentrates on offbeat territories but is now stepping ahead steadily in the chemical industry (District 50 may already outrank both of the AFL-CIO's chemical unions) and in construction, where it has plagued the stolid old-line AFL-CIO craft unions by making inroads in heavy construction work.

Many of District 50's new gains fall in these two fields. In the April-May organizing period, a dozen construction companies were signed up by District 50 out of the 30 companies

where it secured new contracts. In an earlier two-month period, the union won 11 NLRB elections, five of them in the chemical industry.

District 50's presence has been enough of an irritant to other union officials to force them to combine to try to stop the Lewis union. Four major crafts—the Operating Engineers, Carpenters, Teamsters, and Laborers—have a pact designed expressly to halt District 50's inroads in construction work. In chemicals, and especially in atomic energy, the UMW affiliate is well dug in.

II. The Start

District 50 was carved out of the parent union in 1936, when the United Mine Workers was having unemployment problems. Its goal, at the time, was to organize all those dealing with the byproducts of the coal industry—which meant, mainly, the chemical industry.

The tie-up with coal worked two ways. Lewis wanted jobs for his out-of-work miners. Organizing District 50 to deal with other employers helped him do this—and to keep former miners in the UMW. At present, although District 50 has expanded across the country, its biggest strength is still in the Eastern coal regions, where its membership is largely made up of former coal miners now in other jobs.

District 50's organizing successes have come easily in the coal regions. The powerful mine union has had little trouble signing up construction jobs around coal mines for District 50 members. Major road construction, jobs in building UMW's 11 coal-community hospitals, and other UMW-related proj-



Shoeworkers in New England do, too.

ects have boosted District 50's ranks throughout Pennsylvania, West Virginia, Virginia, Illinois, and Indiana.

• **Spreading Interests**—As more men became unemployed in the coal mines, District 50 moved into other jobs in the coal towns. The miners became store clerks, their wives took over other clerical jobs. In some towns, District 50 has organized all of the jobs.

Where UMW has reached out, District 50 has gone along with it. Lewis invested heavily with coal operators, for instance, in a ship cargo business to haul coal abroad; District 50 promptly formed a Marine Div. and organized stevedores and deck officers on those ships. It now claims 800 maritime members, including masters, mates, engineers, and pursers. It has organized the United Fruit Co., and, just recently, the American Export Lines.

Two years ago, District 50 almost took in the International Longshoremen's Assn. when ILA Pres. William Bradley discussed a possible merger with John L. Lewis. Lewis associates say George Meany, AFL-CIO president and an open opponent of Lewis, prevented the alliance. ILA is now back in Meany's federation.

III. The Appeal

There's no doubt the Lewis brand name is a important factor in District 50's growth. Another is the Lewis union psychology, the veteran labor leader's determination to organize industrial employees in bulk as he did by forming the old CIO. District 50 follows this pattern exactly.

A UMW spokesman explains in this way: "We say to an employer, 'We'll



Perfume-makers wear 50's button.

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The Ohio Rubber Company produces rubber press and gauge wheel tires for farm equipment and a wide variety of other component parts for diversified industries.

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The development of these tires is typical of Eagle-Picher's ability to apply practical research in working with other manufacturers to improve their products. To the agricultural industry these tires offer particular advantages such as self-cleaning action, accurate depth control in a wide range of soil conditions and uniform compacting of the soil

for faster germination. Such tires stand up under continued heavy service and contribute a maximum share to efficient equipment performance.

Manufacturers of agricultural machinery are but one of the many industry groups served by The Ohio Rubber Company. This Eagle-Picher division also supplies molded, extruded and rubber-to-metal products for automobiles, home appliances, business machines, toys and industrial equipment.

In the broadly diversified engineering and manufacturing skills of Ohio Rubber, you may find advantages particularly applicable to your own manufacturing. We welcome inquiries.



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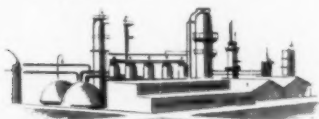
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negotiate to cover all your employees. You pay our men a flat wage, and they can move from one job to another. You won't have a lot of them sitting around."

This is an appealing offer, particularly in construction and other craft industries where specialized skills and jurisdiction are such prominent issues. Craft union leaders have bridled at District 50's construction contracts not only because their wage rates are generally below craft levels but also because a carpenter can be told to haul bricks or do other jobs on the project when he isn't busy—a practice that the craft unions won't permit.

• **The Goal: Jobs**—District 50, however, has been more interested in getting jobs. While the union concedes that pay rates may be lower, a spokesman notes: "At least our men are working all the time."

In its industrial organizing, District 50 has taken over territory where other unions have been reluctant to go or have been unable to go because of AFL-CIO jurisdictional lines. District 50, being outside the AFL-CIO, is not bothered by the jurisdictional pacts of AFL-CIO unions, and it goes where it wants to.

Also, much of District 50's organizing is unappealing to other unions because the returns are small in numbers. The UMW is located in small, poorer communities. Other unions would hesitate to bother with workers in these places; it would be uneconomic to service locals there. With UMW there, it is relatively easy for District 50 to take—and lump together—small units of workers holding down a variety of jobs.

• **UMW Stepchild**—Even though District 50 has grown in size and independence, it is still a UMW stepchild.

District 50's president is A. D. "Denny" Lewis, brother of John L., who started out in 1936 as organizing director and several years ago was appointed president of the affiliate by the United Mine Workers executive board.

Under the younger Lewis is Vice-Pres. Elwood Moffett, a one-time anthracite miner who actually runs District 50, particularly in recent months while Denny Lewis has been ill. But the man who has molded District 50 and still serves as "advisor" is the UMW president emeritus, John L. himself.

Lewis and the UMW executive board control District 50; the affiliate has no convention of its own and does not elect international officers. Denny Lewis' salary of \$37,500 a year and Moffett's salary are paid by UMW rather than from District 50 income.

But John L. at the top of District 50 does not keep so tight a rein on it as he has in the past on the UMW. District 50 is decentralized—administered by regional directors with each territory or local union pretty much controlling its own affairs.

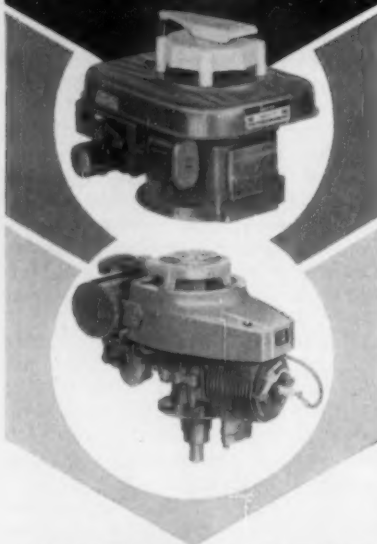
There are more than 60 regional territories, ranging across the country from Canada to California. Between conventions, directors of these regions coordinate the activities of District 50 locals, but often there is so much diversification that the locals choose to operate on their own.

So far, there's no indication that UMW leaders will attempt either to bring District 50 closer under their wing, or to give it full autonomy, or even equal representation in their affairs. But if District 50 continues to grow while the UMW active membership continues to decline, this may have to change.



Umpires did, but ordered District 50 out.

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Tecumseh is also the world's largest manufacturer of compressors for the air-conditioning and refrigeration industry.

Labor Leaders Fete Mitchell

"Non-political" testimonial dinner has not too subtle political implications, including a warning to Democrats that organized labor isn't automatically on their side.

Labor Secy. James P. Mitchell will be honored in Washington next week by union leaders at a "non-political" testimonial dinner that will "mark . . . seven years of public service in his cabinet post and . . . demonstrate the high personal regard of American labor for Mitchell."

Twenty-eight top union leaders are serving on the dinner committee. George Meany, president of AFL-CIO, is honorary chairman, and the federation's secretary-treasurer, William Schnitzler, is honorary vice-chairman. Meany won't be present. He is out of the country until July 5. But the labor dinner for the Republican Administration's Secretary of Labor has Meany's full endorsement.

• **The Why of It**—According to George M. Harrison, president of the Railway Clerks and an AFL-CIO vice-president, the dinner is being given by "a bunch of labor people who feel Mitchell has made a good Secretary of Labor. It's as simple as that. There are no political implications. He's done a splendid job."

Harrison, chairman who is arranging the dinner, has been active for years in the Democratic Party. In 1948, he played a leading role in the labor campaign that helped reelect Pres. Harry Truman. Currently he is on record in support of Sen. Stuart Symington (D-Mo.) for the Democratic Presidential nomination. He insists that he wouldn't have accepted the dinner chairmanship if "a breath of politics" was involved in it.

"There is nothing more behind this than a desire of a lot of people to show Jim Mitchell that we feel he's done a good job," Harrison said.

Harrison's views are shared by most of the country's top labor leaders. Michael Fox, president of the AFL-CIO Railway Employees Dept. of six shopcraft unions, said this week that Mitchell—"the greatest Secretary of Labor this country has ever had"—should be retained in the Cabinet "whatever party wins the Presidency this fall."

Others—some surprised by the dinner plans—agreed that it would be "a highly deserved recognition" for Mitchell.

• **Highly Regarded**—Mitchell was appointed Secretary of Labor in 1953. Although many labor leaders had a high regard for Mitchell at the time, he entered the Cabinet with a serious handicap. He succeeded the late Martin Durkin, president of the Plumbers, who quit the Cabinet post with a strong

denunciation of the Eisenhower Administration.

When Mitchell made his first official appearance before an AFL convention a year later, Meany lashed out at him personally during a sharp attack on the Administration. Others have chided him—sharply, sometimes angrily—many times since then when his views conflicted with those of the unions. Nevertheless, labor's respect for Mitchell grew steadily.

In part, this was a result of his running fight with Secretaries of Commerce who sought to influence the White House on issues important to labor. Mitchell refused to give ground. He has taken defeats in the Administration as a result, but has gained his share of victories, too.

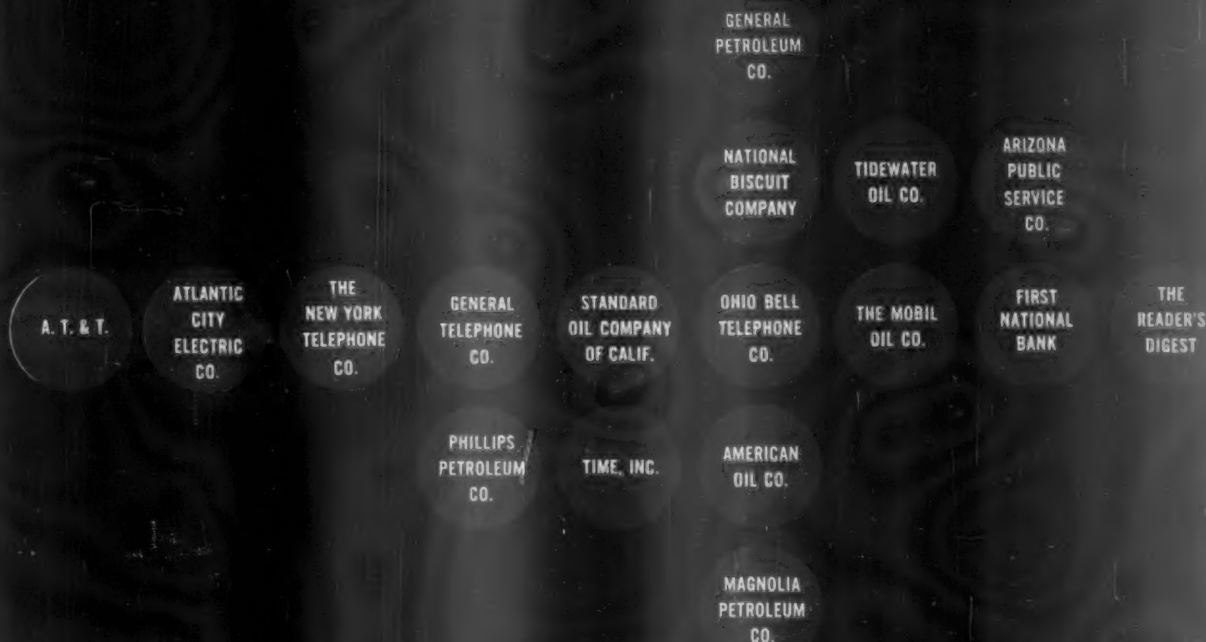
Not long ago Meany described Mitchell by saying that he is "as good a Secretary of Labor as the Administration lets him be."

Many others say the same thing in different ways. Not long ago, a New York labor leader said Mitchell would have been "a very fine" Secretary in a Democratic Administration. He added that Mitchell's understanding of labor's problem and his sophistication in the industrial relations area unquestionably were an influence for the good—in labor's eyes—in the Republican government of the past seven years.

• **Political Angles**—As far as the public pronouncements go, this high regard for Mitchell is the reason for the testimonial dinner announced for next week. However, it would be naive to say that politics can be kept completely out of the testimonial. The timing—coincidental or otherwise—would prevent that.

Labor has come to be considered a strong, perennial ally of the Democratic Party—and it has complained, after recent elections, that its role in helping elect the party's candidates hasn't been sufficiently recognized after the balloting. Many in labor say flatly that there's a question of how long labor can work with a party tied to Southern influences.

The unions are still on the Democratic side. But a number of labor strategists have been saying that unions should make clear to everybody, and particularly to Democratic leaders, that labor would be just as willing to back acceptable Republicans. A number of union officials have let it be known that New York Gov. Nelson Rockefeller might be such a candidate—a "liberal



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THE ART of electric welding, as it was practiced in pre-World War I days, would completely frustrate today's production planner. Costly, asbestos-covered electrodes had to be used to weld joints that, all too often, were erratic and of sub-standard quality.

THEN AN IDEA from A. O. Smith turned and shaped this temperamental technique into what is today the world's most useful metalworking method. Essentially a simple idea — this development took the vagaries and the high cost out of electric welding. It turned this art into a wide-reaching industry.

THE PICTURE-STORY at right tells how it happened — and how A. O. Smith progress is continuing to make things happen in welding for the future.

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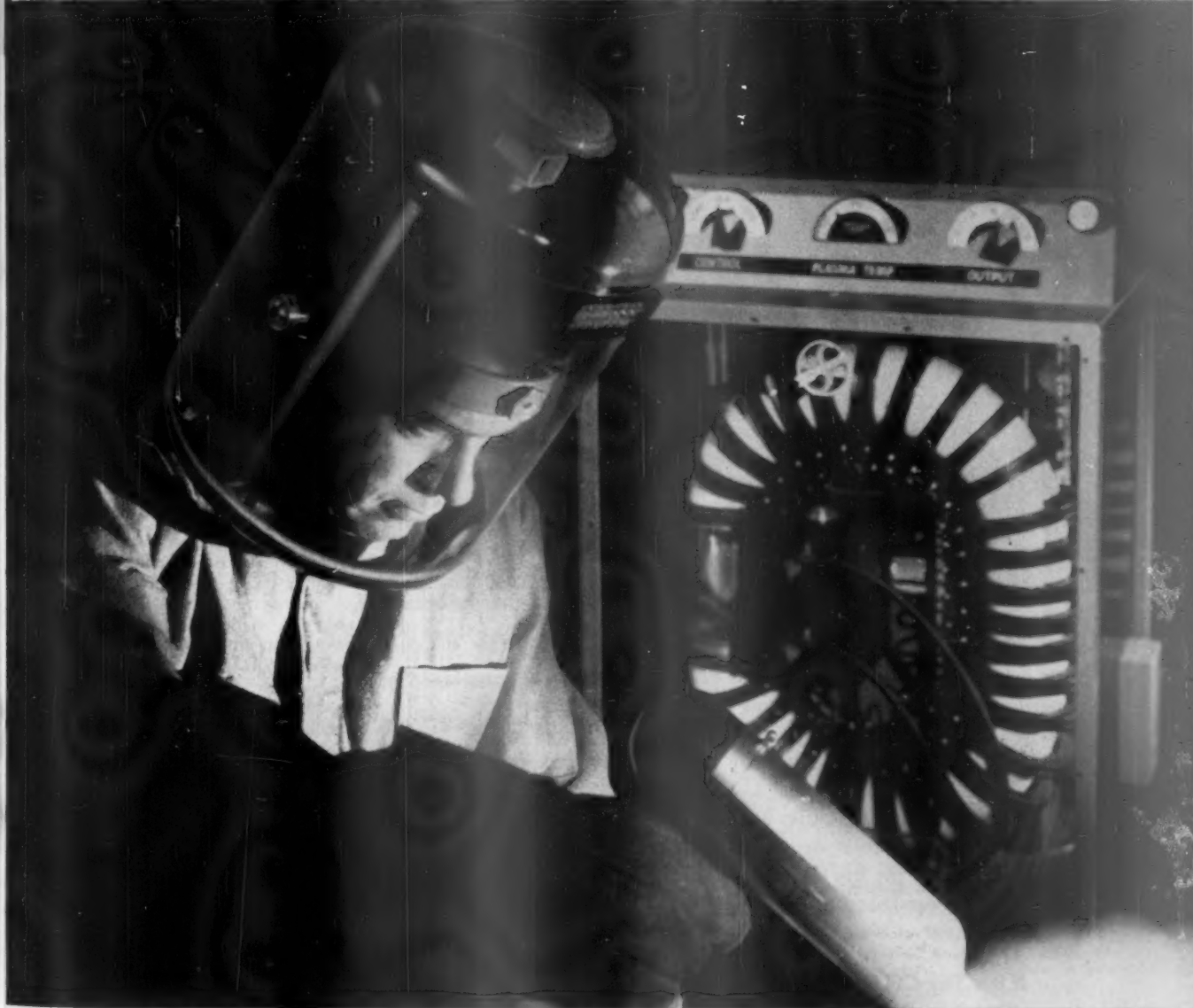


THE BEGINNING, 1917 — With the world at war, it became impossible for our country to import the asbestos-covered electrodes that were, at that time, considered essential in the welding of aerial bombs. Working furiously in the face of this emergency, A. O. Smith came up with an answer — electrodes wrapped in sodium silicate treated paper. Not only did this solve the immediate problem, but it led to A. O. Smith's invention of the extruded electrode which ushered in the modern era of mass-production welding.



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NO. 1,340	PATENT NO.	43,607 U.S.	PATENT NO. 1,343,647 U.	PATENT N	,648
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ing-voltage requirements. The proposed fuel could be deuterium, the heavy isotope of hydrogen found in ordinary water. With the tremendous energy release potential of a fusion reaction, the problem is not one of gaining sufficient capacity, but rather one of scaling down this energy potential to a size more conveniently handled in welding.

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and qualified Republican" whom unions could back.

With talk like that going around, the testimonial scheduled for a Republican Cabinet member must take on added significance, doubly so considering the recurrent reports of Mitchell's possible candidacy for the Republican Vice-Presidential nomination.

In Harrison's words, the Mitchell dinner may be no more than a testimonial gathering of "a bunch of labor people who feel that Mitchell has made a good Secretary of Labor."

Nevertheless, both the Democratic politicians in Los Angeles and the Republicans in Chicago can be expected to take note of it. Organized labor has never so honored a Labor Secretary before—and it has had friendlier Secretaries in Democratic Cabinets. The implications are there in the dinner.

Unions Get Court's O.K. To Challenge Employer

The U.S. Supreme Court this week ruled that the scope of labor arbitrations may not be restricted or the decisions of arbitrators overruled unless a contract gives management "complete control and unfettered discretion" over what is to be arbitrated.

In decisions in three appeals cases, the High Court sided with labor.

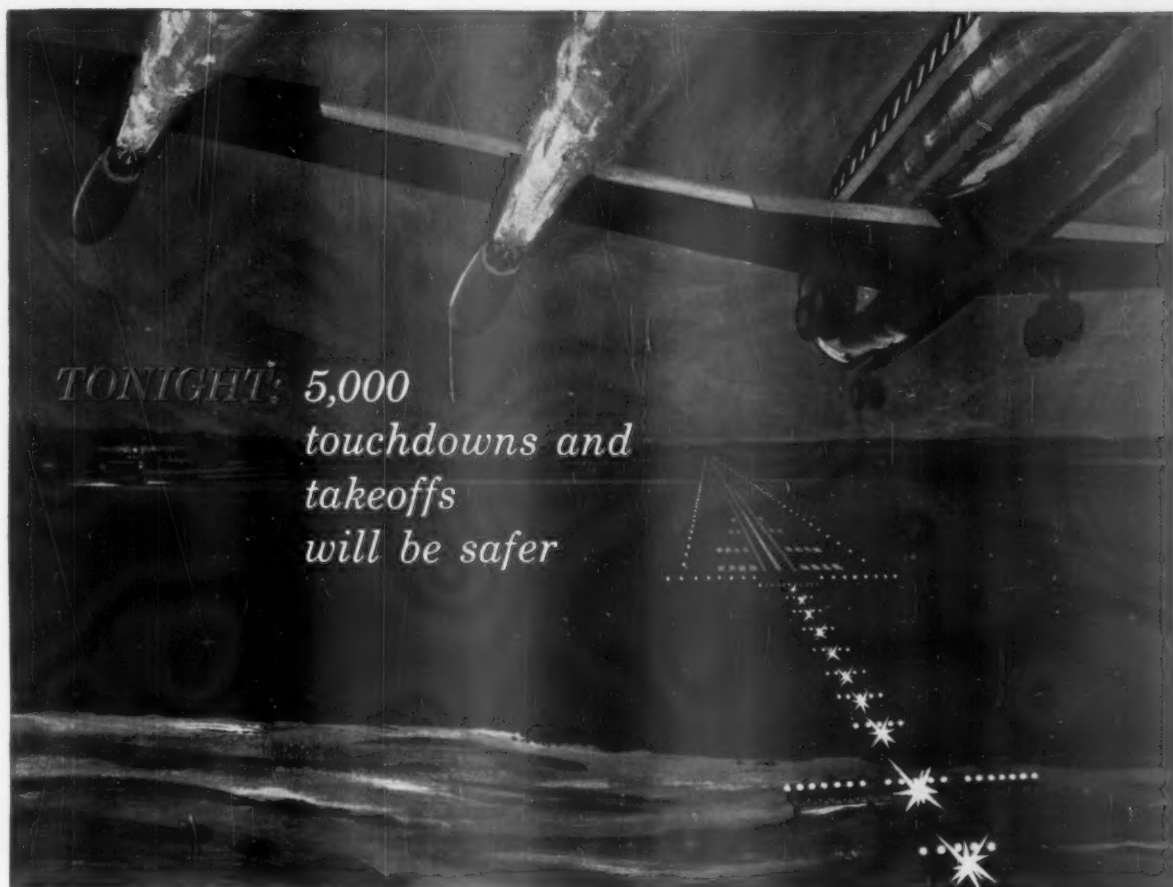
Importantly, it ruled that if a contract contains a no-strike clause and provides for arbitration, then "in a very real sense everything that management does is subject to the agreement." This means that a union that agrees to a no-strike contract is given a strong legal right to challenge management actions before an arbitrator.

The cases before the court involved a United Steelworkers appeal.

• **Contracting-Out**—Justice William O. Douglas, in one case involving Warrior & Gulf Navigation Co., upheld USW's demand that a company policy of contracting-out work must be subject to arbitration. The company said this was not arbitrable because its contract excludes "strictly management functions" from arbitration. The union argued that since contracting-out meant layoffs, it must be subject to arbitration.

Douglas held that since there was no express exclusion of contracting-out as an issue for arbitration, it can be taken to arbitration.

In another case involving an arbitrator's challenged decision in a dispute with American Mfg. Co., Chattanooga, Douglas held that "as far as the arbitrator's decision concerns construction of the contracts, courts have no business overruling him because their interpretation of the contract is different from his." **END**



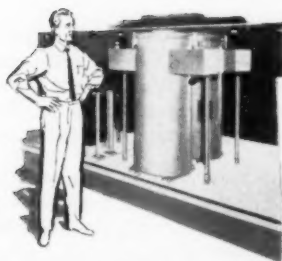
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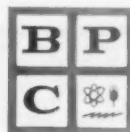
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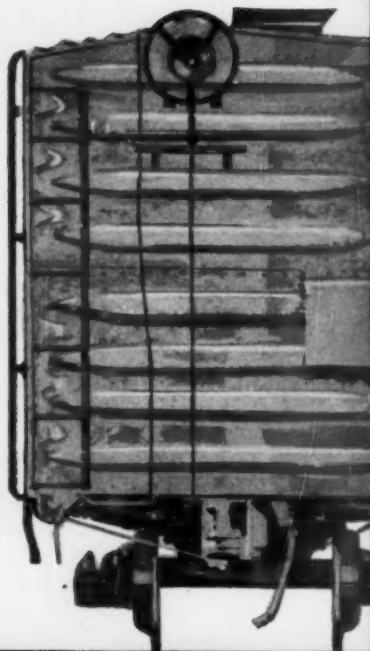
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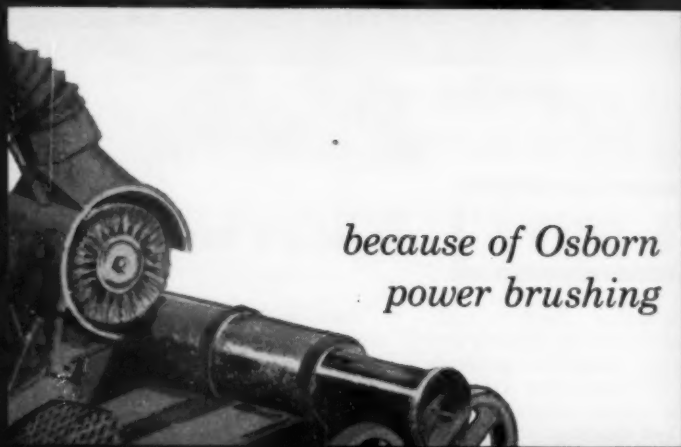
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Navy Whistle . . .

. . . ends deadlock and brings settlement of 21-week strike by workers at Bethlehem Steel's East Coast shipyards.

Discreet pressure from the U. S. Navy brought about an apparent settlement of a 21-week strike involving 17,000 workers at the Bethlehem Steel Corp.'s eight East Coast shipyards.

The Industrial Union of Marine' & Shipbuilding Workers of America was at loggerheads with Bethlehem over work practices and seniority. But the Navy warned last week that the strike was a "black day" for U.S. defense. Vice Adm. Wallace M. Beakley, head of the Navy's ship construction program, made a special appearance before company and union negotiators.

Five Navy vessels were tied up in Bethlehem yards by the strike—a nuclear cruiser and destroyer and three conventionally powered guided missile destroyers. Navy construction and conversion work halted by the strike was valued at \$500-million. Some \$120-million in commercial repairs and construction was also affected.

The admiral warned both sides that the Navy planned to rush ahead with its shipbuilding program for fiscal 1961 and would not place any orders for ships in struck yards. He also indicated that the Navy might withdraw the nuclear ships from Bethlehem's Quincy plants. "We can't leave them there forever," he declared. It already had pulled two ships out of Quincy and sent them to Navy yards.

• **Offered Settlement**—The leverage applied by the Navy was sufficient to get talks between IUMSWA and Bethlehem off dead center. Until then, both sides had only talked through federal mediators.

Immediately after the Navy hoisted warning flags, the federal mediators moved the talks to Washington, where both sides began to get down to the business of hammering out an agreement.

Back in New York City, at midweek, the parties were still smoothing out contract language. Neither side, however, expected any snags to turn up. They were meeting without federal mediators present and the exchange was going well, according to all accounts.

"It should move along smoothly," a company spokesman said. "We haven't heard any whistling along the line of possible trouble."

Both sides were hoping to clear up the language of the new contract by the end of the week, enabling the union to submit the proposals to the locals



IT IS no exaggeration to say that there is no industry in America for which adequate water would not be readily available in Kentucky.

A total of 664 miles of Kentucky's northern boundary is formed by the Ohio River, one of America's major sources of water for industry. This river alone flows more than 617,000 gallons per second, average, where it first touches Kentucky—nearly 2,000,000 gps where it leaves the State. Kentucky's western boundary is the Mississippi; its eastern boundary, the Big Sandy River.

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Lieutenant Governor Wilson W. Wyatt, or
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And now a far-reaching new program has been put into effect to stimulate even

greater development. Legislation favorable to Kentucky industry has been enacted . . . better schools and other needed improvements are being made possible through a new 3% sales tax (with many exemptions for industry—and which has enabled Kentucky to reduce its personal income tax by 36%) . . . *one of the most complete industrial financing programs in*

the Nation is an actuality (with both privately and publicly financed lending agencies for new and expanding industry) . . . state authority has been set up for building desirable airstrips and access roads to plant sites.

Big things are happening in Kentucky. We will send you specific details on request.



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LIFE
EN ESPAÑOL

for ratification. Approval was expected within a couple of days following submission.

At midweek, the settlement offered up for ratification by the eight IUMSWA locals included:

- A 25¢ hourly wage increase spread over three years. Improvements in insurance and pensions benefits were also made. The new contract will run until May 31, 1963.

- A carefully worded compromise on the seniority issue that had kept the union and management so far apart for so long. Both sides agreed that virtually the same provision written into an expired contract would be used in the new agreement. But it was clear that there was some give-and-take hidden beneath the new contract wording.

- **Seniority Disputers**—The company sought a seven-day "turn-around" in seniority. Under the old contract, when a team finished a job, the individual members had to be reassigned immediately to other work according to seniority. This caused bumping on other crews. The company claimed that it was a costly practice. It wanted seven days in which to find another assignment. After seven days, of course, the worker would be considered laid off.

The union objected, charging that the company was out to destroy the seniority system.

Bethlehem also wanted more flexibility in making job assignments. Snow removal is a case in point, said the company. At Sparrows Point, men reporting to work right after a snowstorm refused to clear the snow, saying it wasn't their job. The men got four hours pay for nothing since they had checked in for work under union rules and could not work because the building ways were snowed in.

Wages weren't a crucial issue. A first-class mechanic under the old contract received \$2.80 an hour.

- **Weathering the Storm**—Although the company cited the competitive disadvantage the union's stand forced upon them, Bethlehem was not under any serious economic pressure to settle the strike. The slump in shipbuilding enabled the company to take the strike without too much pain. In addition, there was little pressure from Bethlehem customers for delivery of work. "Sure," says one Bethlehem executive, "the final leg of building large tankers was held up. But tanker owners don't care—not in this market. Some of the new tankers we've built recently have just been laid up."

But when the parties went to Washington, a certain amount of political pressure was brought to bear. Sen. John F. Kennedy (D-Mass.) issued a statement deploring the company's refusal to bargain in good faith. Then the Navy swung its guns into position. **END**

A black and white photograph of a large industrial boiler being hoisted by a crane. The boiler is a large, horizontal cylinder with various pipes and valves. The crane's lattice structure is visible in the background. The scene is set in an industrial environment, likely a power plant or a shipyard.

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In Labor

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Rail Operating Brotherhoods Expect Concessions for Work Rule Changes

Railroad operating brotherhoods expect some revisions in work rules—but want concessions in return. According to Guy L. Brown, head of the Brotherhood of Locomotive Engineers, changes “are bound to come,” presumably in negotiations about to get under way.

Discussions between carriers and five operating unions will begin July 5. The roads say wage settlements this year “make it imperative to obtain relief.”

The unions’ counterproposals—or trading demands—in the work rules area include:

- Pay for away-from-home expenses of operating crewmen required to be away overnight. (Brown says this costs them a minimum \$50 a month.)

- End of the requirement that they can be worked up to 16 hours “before they can be relieved” on local freight trains.

- Elimination of lost time before pay starts.
- Liberalized vacation policies.

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Pittsburgh Plate Glass Extends Pact With United Glass & Ceramic Workers

Pittsburgh Plate Glass Co. and the United Glass & Ceramic Workers this week extended contracts covering 10,000 employees for one year, to Feb. 16, 1962, in an unusual move eight months in advance of the expiration of two-year contracts.

The company and union signed contracts running into 1961 after a 134-day strike that began in late 1958 and continued largely on work rules issues. Some problems were left unresolved. The company and union agreed early this year to discuss these “problems and conditions of mutual concern,” and to work out any adjustments.

According to the company, the discussions showed “an excellent spirit of mutual cooperation.” The parties agreed to extend their pacts into 1962 to insure uninterrupted production for at least 20 months.

Employees not under incentive or bonus-pay plans will get a 4¢ raise next February. The extension agreement also provides for some fringe concessions.

• • •

USW Insurgents Returned to Office In Defeat for Union Pres. McDonald

Donald C. Rarick and Nicholas Mamula, leaders of rebel forces opposing David J. McDonald, won reelection by wide margins in local union elections in the United Steelworkers last week. The results were a setback to the USW president’s hopes for rank-and-file repudiation of the rebels.

Rebels led by Rarick, who challenged McDonald for the international presidency two years ago, defeated pro-McDonald candidates 2-1 at the Irwin Works of U.S. Steel in Pittsburgh.

Mamula and a slate of rebels virtually swept elective offices of the Aliquippa Works of the Jones & Laughlin Steel Corp. An independent won office as recording secretary over rebel and administration men.

Rarick and Mamula are chairman and secretary, respectively, of the rebels’ new Organization for Membership Rights in USW (BW—May 14 ’60, p103). The organization is counting on local victories throughout USW to give strong impetus to its new challenge of McDonald’s leadership.

• • •

Rubber Workers Reach No Agreement On Successor to Retiring President

A fight for control of the United Rubber Workers appears to be in the making, even though the union’s biennial convention in St. Louis is three months off. Leland S. Buckmaster, now 66, must retire at the end of his term in September. There is no strong candidate to succeed him.

The man expected to move into Buckmaster’s office, Joseph W. Childs, died several months ago. Last week, Buckmaster tried to fill the key vice-presidency formerly held by Childs—a move interpreted as an effort to name a new heir-apparent. The URW executive board roundly rejected his nominees.

Buckmaster first proposed the appointment of Jack Moye, head of Goodrich Local 5 in Akron, a long-time unionist prominently mentioned for the URW presidency. The nomination wasn’t seconded.

URW’s president then suggested the name of his assistant, Herbert D. Dawson, as interim vice-president. Dawson got only four votes from the 14-man board.

The vice-presidency probably will be left open until the convention—a way of giving candidates for the presidency an even start for an election contest.

• • •

On the Strike Fronts

Eastern Air Line pilots were returning to planes this midweek under strong pressure from their union, the Air Line Pilots Assn., and federal courts. The ALPA told them flatly that “anarchy is no answer” to legal orders against wildcat strikes protesting seating arrangements for federal safety inspectors (BW—Jun. 18 ’60, p42).

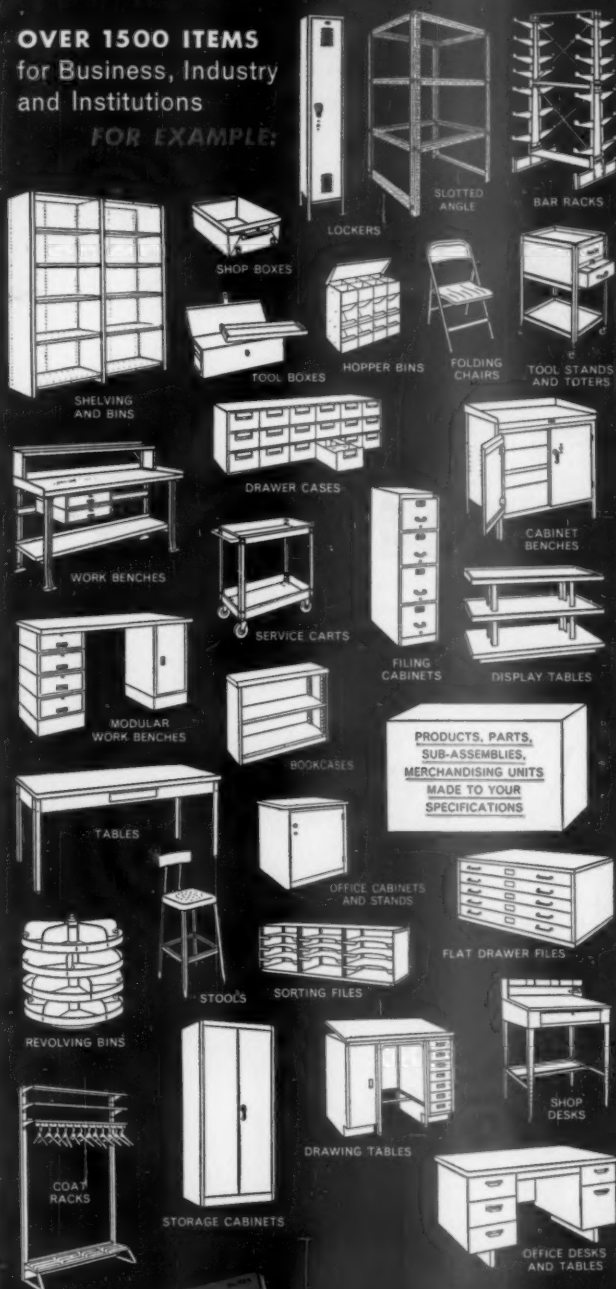
Pilots had reported “sick” when ordered back to work by federal courts in Miami and Chicago.

In the aircraft-missile industry, strikes continued to interrupt work despite day-to-day hopes for settlements based on “pattern” North American and Douglas Aircraft terms—fringe concessions valued at about 5¢ an hour this year, a 7¢ pay hike in 1961 (BW—Jun. 18 ’60, p51).

The International Assn. of Machinists walked out of Lockheed missile and space division operations last week but stayed on the job at aircraft plants. A number of other companies were struck or subjected to harassing tactics—“hit and run” walkouts lasting perhaps only a day or two.

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IN DALLAS on one of his barnstorming tours to promote French wines, Alexis Lichine (second from left) inspects display of his selections in branch of Centennial Liquor Stores.

Connoisseur Preaches Gospel of Good Wine

Americans claim a variety of national drinks—milk, coffee, Coca-Cola, beer, bourbon and branch water, and the dry martini. Alexis Lichine (pictures), who has both an emotional and professional interest in drinking habits, admits that all these beverages are here to stay. But he thinks that Americans should also take up drinking wine—preferably fine wines from France selected by Lichine.

Lichine has a long way to go before wine drinking is a national pastime, although the American wine market is already substantial. In the mid-1930s, Americans consumed an annual average of more than 70-million gal. of wine, 3.4-million of it imported; last year, consumption reached a record 156-million gal., with fine wines accounting for about 10-million gal. This comes close to a gallon per capita, but the bulk of these sales are in low-price wines, not in the quality, premium-priced bottles sold by Lichine. Moreover, these figures include sparkling wines such as champagne, and fortified wines such as sherry and port, which Lichine for the most part does not handle.

• **Growing Sales**—His specialty is merchandising the fine still table wines of France and Germany, retailing at an average price of more than \$2 a bottle. This is still a small sector of the total,

but it is showing the fastest growth, and Lichine predicts that the sales pace will accelerate. He cites as proof the sales volume of Alexis Lichine & Co., a wine shipping concern in Margaux, France, that he established only in 1955. Its sales of fine wines have increased almost 50% a year and are currently running ahead of this pace.

Lichine is more than just a wine merchant, but all his other interests are connected with wine. He acts as a consultant on wine for a number of hotel chains and shipping lines, including Hotel Corp. of America and Moore-McCormack Lines. Also a writer on wine, he is working on an encyclopedia that he feels will be the definitive work on the subject. And he owns, along with a group of American friends, two of the quality wines of the Bordeaux area, Chateau Lascombes (other shareholders include David Rockefeller, William Burden, Adm. Lewis Strauss), and Chateau Prieuré-Lichine.

• **Dedication**—All of these activities, though, are subordinate to his self-appointed mission to expand the U.S. market for fine wines. He already ships more top-priced wines, especially the chateau-bottled classified growths of Bordeaux and the prime wines of Burgundy, than any other exporter. But he dreams of a day when wine will be on





IN LOS ANGELES, Lichine enjoys vintage Bordeaux with fellow wine lover Jerome K. Ohrbach, president of Ohrbach's stores and Lichine shareholder.



IN SAN FRANCISCO, he entertains liquor retailers and wholesalers at dinner in Ernie's, a noted restaurant. Naturally, wine accompanied the meal to help convert dealers to its charms.



IN HACKENSACK, N. J., Lichine presides at wine tasting and lecture to educate store managers of Packard Bamberger chain on the nuances of drinking wine—and arts of selling it.



ON SHIPBOARD, Lichine plans wine list with chief steward of American Export Line's SS Constitution. He provides such services for many hotel, restaurant, and steamship clients.



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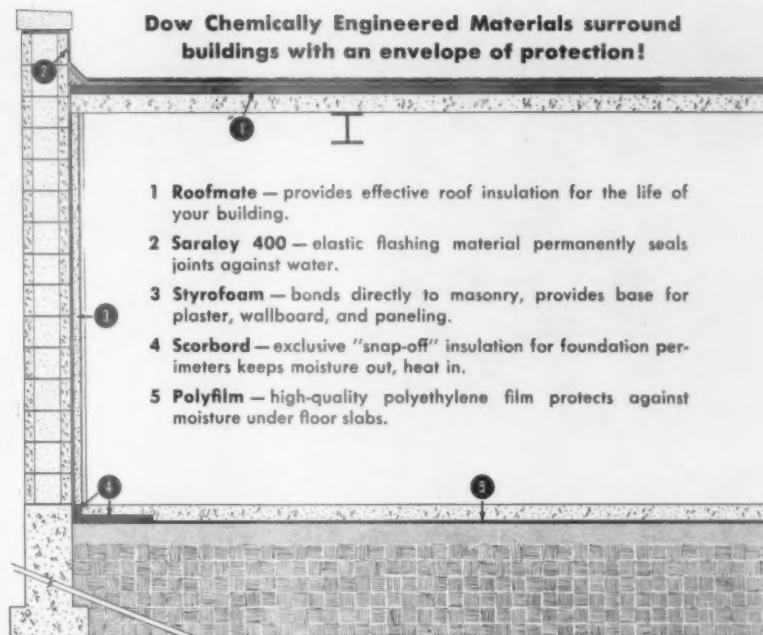
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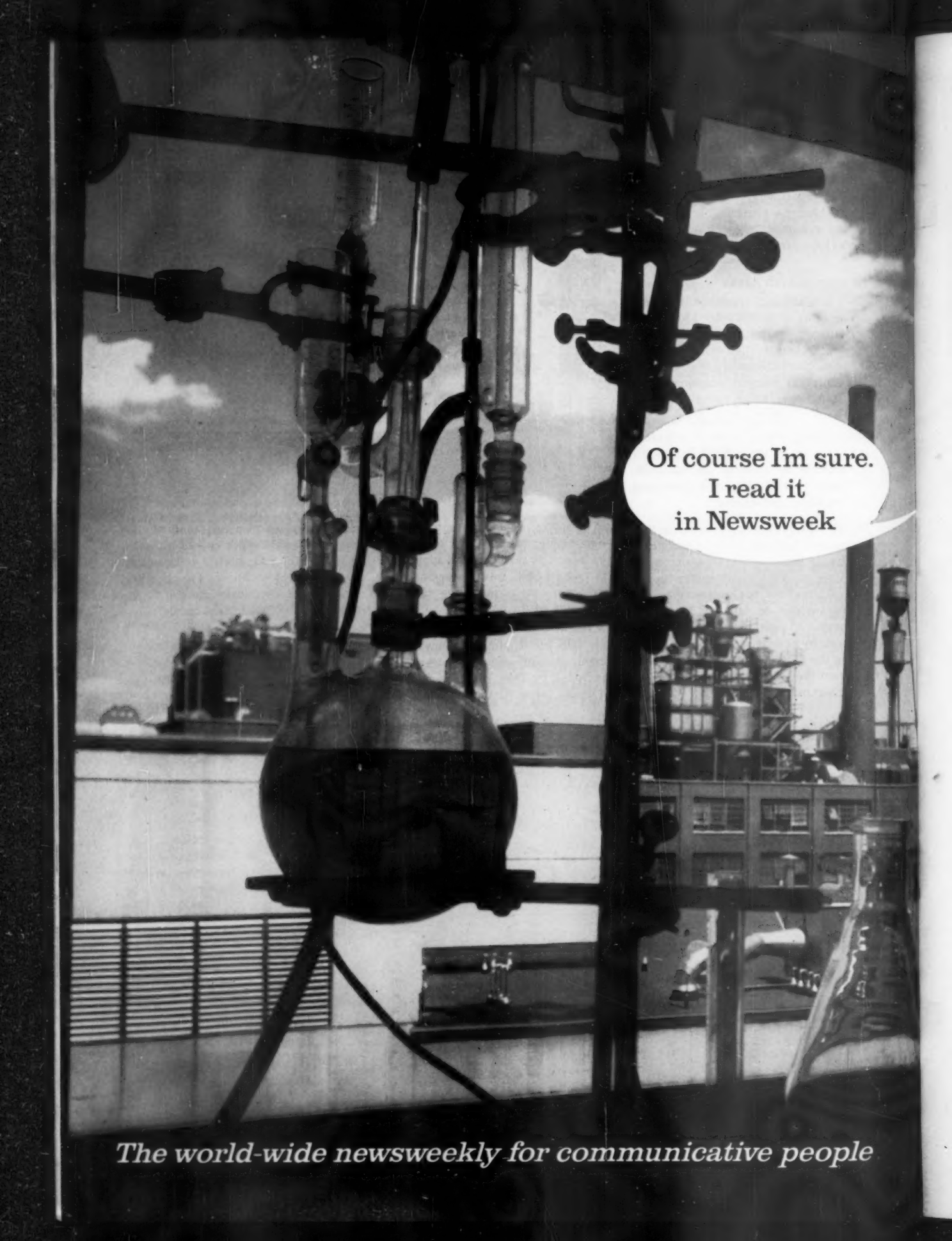
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every dinner table. As he sees it, the widespread publicity about Europe's 1959 vintage, hailed by some experts as "the year of the century," has produced a breakthrough in U.S. acceptance of wine. This will bring a permanent rise in consumption, he thinks.

U.S. interest in the 1959 vintage surprised the entire trade. Traditionally, classified vintage wines have enjoyed big sales in England, Belgium, and Germany; but the U.S. has usually bought the cheaper regional varieties. In 1959, however, the U.S. was second only to Belgium as an export market for French wine, and is expected to go into first place this year. British and Belgian buyers complain that the upsurge in American demand has sent prices soaring to record levels. Lichine himself estimates that fully 50% of France's top growths are now coming into the U.S.

There is no doubt that the ballyhoo over the 1959 vintage has stimulated buying, but it is still too early to be sure that the increase is permanent. Lichine cautions that 1959 was "a great year but not for all growths." He reports that sales of older vintages are also increasing. The big question is whether demand will be maintained for the growths of the 1960s. On this score, Lichine has the fervent conviction of the true believer.

I. Problem Market

Public interest in fine wines has broadened slowly. A small group of genuine wine lovers has always delighted in savoring old vintages in much the same way as collectors of rare books fondle their treasures. But most Americans who consumed French wine did so only on special occasions—and then usually purchased only champagne.

A number of problems—and prejudices—have limited the sales of fine wines. Price has been one drawback. Taste has been another; Americans are not accustomed to the dryness of most red wines. And they have been confused not only by the great number of varieties with unpronounceable names, but also by the difference in vintages. In addition, public ignorance has been compounded by wine "experts" who have stressed the importance of serving specific wines with specific dishes.

There have been other handicaps. Liquor wholesalers, for instance, have not pushed wine, largely because they find it easier—and more profitable—to sell whiskies, which are large volume items. And French wine men, especially the growers and shippers in the Bordeaux region that produces the largest quantity of premium wine, have been slow to adopt modern merchandising methods.

• **Drum Beater**—But for the past few



IN NEW YORK, Lichine drops in at 21, one of many restaurants that carry his selected wines, each with a special label to assure quality. He is compiling wine encyclopedia.

years a revolution in wine merchandising has been in the making, with Lichine as one of its instigators. In a continuous drum beating campaign, he has stressed the virtues of wine drinking as an inherent part of good living and has sought to strip it of its mystery without dimming its glamor.

On one recent whirlwind trip, with stops in New Orleans, Dallas, Los Angeles, and San Francisco, Lichine lectured to waiters and salesmen on the fine points of selling wine, drew up wine lists for a number of restaurants, par-

ticipated in a series of dinners and wine tastings, provided new leads to his wholesalers. Wherever he went, he won new converts to his cause.

• **Kindred Spirits**—Lichine has not been alone in trying to make the public wine conscious. Frank Schoonmaker, who once had Lichine on his staff, has been an active promoter of wine drinking, both American and French. So has Sam Aaron, of New York's Sherry Wine & Spirits, one of the nation's largest retailers of prime wine. The Bordeaux Wine Information Bureau, set up by

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the industry to familiarize the U.S. with its products, has also done some effective promotion.

This sort of spadework is now paying off. American appreciation of quality wines has been helped, of course, by the general upgrading in both incomes and living habits. But the broadening of the market has involved converting a suspicious and unsophisticated public and a backward industry. In both these areas, Lichine has had a major impact.

II. Versatile Missionary

Lichine was born in Moscow 46 years ago and educated in Paris, where his family migrated at the time of the Russian Revolution. He has had a long apprenticeship in the wine business. Now an American citizen (he ended his World War II career as a major on Gen. Eisenhower's staff in charge of wining and dining VIPs), he has served as a wine salesman on both the wholesale and retail levels in the U. S. and as a wine buyer in France. An urbane and hyper-energetic man, he combines a European sense of personal style with an intensely aggressive pioneering spirit.

These characteristics are important assets in promoting wine drinking. Even his competitors agree that he is a master salesman, who has an intuitive feel for just what tack to take. As one of them observes: "If you're the kind who goes for snob appeal and charm, Alex will charm you; and if you're looking to make a buck, he will give you the hard sell. Either way, he rarely misses."

From the beginning, Lichine reasoned that the best way to stimulate demand for fine wine was by reaching the consumers rather than the wholesalers, for the wholesalers saw no point in pushing wine unless demand existed. So, working through retailers, restaurants, and individuals interested in wine, he has made himself available for lectures and wine tastings wherever and whenever he could muster an audience.

• **On the Road**—On his frequent cross-country tours, Lichine does not actually sell wine. Under federal law, a wine shipper such as Lichine can sell only to import wholesalers who, in turn, distribute to restaurants and retail outlets. But Lichine regards his trips as the secret of his success, for his converts to wine drinking prove effective missionaries. His trips sometimes mean increased sales for his competitors, or for U.S. wine producers, but he takes the philosophical view that "the important thing is to get people used to drinking wine."

In preaching his gospel to prospective restaurant buyers, Lichine tries to per-

sue them to keep prices reasonable, arguing that increased volume—as well as bigger home sales—will result. He instructs waiters on how to put customers at ease, insists that they do not "make a mystery about what wine should be served with what dish." As he puts it: "People shouldn't be made to feel foolish or uncomfortable if they want to drink wine."

Lichine has sought to simplify wine buying by modernizing labels and getting restaurants to list wines by numbers as well as names. Whatever the wine, every bottle he sells carries a sticker reading "Selected by Alexis Lichine," which, he feels, serves as a guarantee of quality.

• **Rolls Royce of Wines**—This also has the purpose of promoting Lichine. He does not deny that he aims to make his name synonymous with quality in wine "just like the Rolls Royce is the symbol of quality in cars." Lichine is, in fact, a fanatic in his insistence of quality, even though he could register a huge increase in volume if he followed the typical wine shipper's practice and sold regional wines under his own name. He feels that this would be a compromise with his standards.

Many of his customers agree. For example, Lester Gruber, of Detroit's London Chop House, a big seller of fine wines, says that "you don't have to worry about quality when you have a Lichine selection—that is his biggest selling point."

• **Selling Tricks**—Lichine keeps a close watch on the best-selling growths and, in proselytizing new accounts, suggests wines enjoying a ready market. And he is careful to advise buying in fairly small quantities so that "they always run out of wines sooner than they expect." Psychologically, he says, this tactic has made big repeat customers of many retailers who had been dubious about the prospects—and profits—in selling wine.

Another move, aimed at the consumer, has been the use of brighter, more attractive packaging. Lichine has introduced a boxed sampler selection, which has sold well as gifts. Last year, he came out with a distinctive new bottle containing 17 oz., more than the regular 13-oz. half bottle and less than the 26-oz. full bottle. This has proved a big hit: it answers a common complaint that the full bottle is too much for two people to finish at one sitting, while the half bottle is on the skimpy side.

This innovation, shaped somewhat like a bowling pin and called a "pot"—pronounced po—has so far been used only for Burgundies and Beaujolais. Lichine plans to introduce a similar-sized bottle, with a different shape, for Bordeaux wines. It will probably take some doing to convince the traditional-

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ists of the Bordeaux area to accept a new bottle, but Lichine thinks the sales potential will win them over.

III. Fighting A Monument

Lichine's merchandising efforts have been officially recognized by the French government, which this year made him a member of the coveted Legion of Honor for his services in stimulating the demand for wine. Sam Aaron says the "French wine industry should erect a monument to Alexis for the increase in business he has brought them."

But Lichine is never in one place long enough to pose for a monument. He divides his time between the U.S., the selling end, and France, the buying end. In any case, his French competitors regard him with mixed emotions. Most of the big Bordeaux wine shippers are family concerns that have been in business for generations and are faithful to tradition. Until recently, they considered it unseemly to seek out new markets and engage in promotion.

To many of these men, Lichine is an upstart. In France—and on his annual trip to Germany—he keeps going at a feverish pace, tasting and bargaining in vineyards and wine cellars. Bordeaux wine men grumble at his flamboyancy in erecting billboards inviting tourists to stop at Chateau Prieuré-Lichine (Chateau Lascombes, which has 27 shareholders, is run "like a private club" for its owners and their families). Lichine sometimes pines for the luxury of a solitary meal with his wife, but his missionary's zeal and his shrewd business sense lead him to keep open house.

• **Amendment**—From the standpoint of Bordeaux's old guard, Lichine's most provocative move is his attempt to amend the revered Classification of 1855, which ranks 24 white wines and 61 reds into five separate categories of merit. Lichine argues that these old ratings are outmoded today because of changes in growths. Even more important, he thinks that the classifications of growths into declining grades is a detriment to merchandising, for consumers tend to seek out the few first growths and neglect the others as inferior (Lichine's Chateau Lascombes is rated a second growth, Prieuré-Lichine fourth). He has suggested a new listing that would include a bigger number of chateaus and a system that would rank them descriptively—"outstanding," "exceptional," "great superior"—rather than by number.

Purists argue against any change, largely on the ground that the market itself recognizes improvements by bidding up prices.

In a sense, Lichine is more purist than the traditionalists, for he thinks quality should be recognized, and that

the 1855 rankings no longer have any validity. "The chateau growths have breeding," he explains, "but breeding depends on constant love and care."

• **Boon to Industry**—Despite the opposition Lichine has aroused, he has won a permanent place in Bordeaux. In fact, some of his competitors openly admit that he has been a boon to the wine trade, and many more are adopting his techniques. For example, Edouard Kressman, one of Bordeaux's most progressive wine merchants and a believer in U.S.-style merchandising, acknowledges that Lichine's campaign has brought increased sales to every shipper. And Pierre Ginestet, owner of the celebrated Chateau Margaux, one of the four first growths in red wines, says business was stagnating before Lichine became a factor.

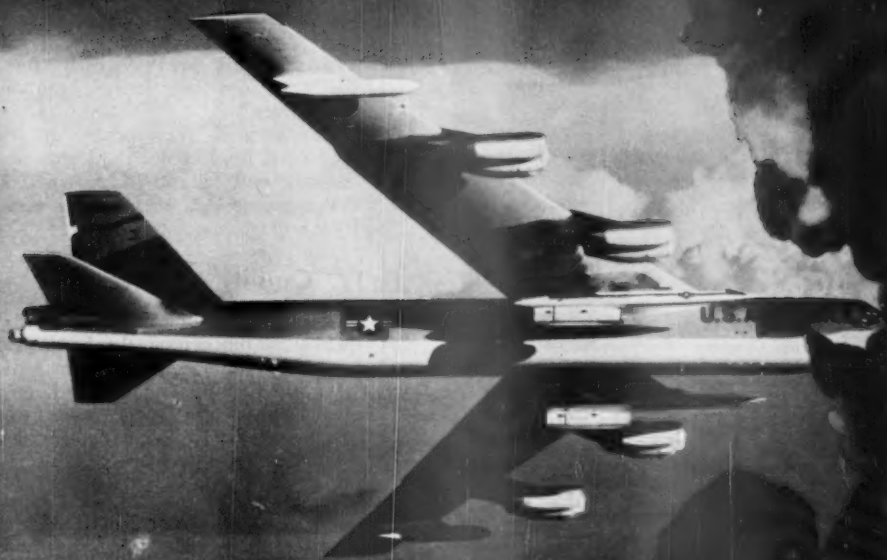
• **Rivals Crop Up**—Lichine's trail blazing has bred competition. Some of the bigger shippers, for example, have teamed up with big American importers, whose full liquor lines boost wine sales. Others have been bidding up the prices of the best growths and selling them as loss leaders, while getting importers to take their regional wines sold under their own names.

Lichine shows little concern about this competition. He is not only a super-salesman but a superb judge of wine, with a discriminating palate that can detect subtlest nuances in flavor and a faculty for knowing market values. Lichine's profits depend on buying the best wines at the cheapest possible prices, for though many of his customers were introduced to wine by him and feature his selections, he knows that their loyalty would not last if his prices were out of line. So he devotes a lot of time to buying, boasts that he is an "expert and patient haggler—I always try to wear the other guy out."

He is also expanding his own line of quality products, adding a "bone dry" vermouth, a special 65-year-old cognac, and a line of sherries. And he is thinking of marketing a champagne and a Scotch. But his chief competitive weapon is that he is a volume buyer of the best wines, and many producers reserve part of their growths for him.

• **Last Year's Crop**—Lichine did a great deal of buying of the 1959 vintage, betting on a rise in demand. But other merchants did too, so that prices soared even before the wines were harvested. This kind of buying was clearly speculative, but Lichine says that it was informed speculation. The three previous harvests had been disappointing, particularly in quantity, so that there would be no trouble disposing of the new vintage. Moreover, the vineyards were favored by a wet spring and a hot dry summer, conditions that promised superior wine.

But Lichine fears that Americans



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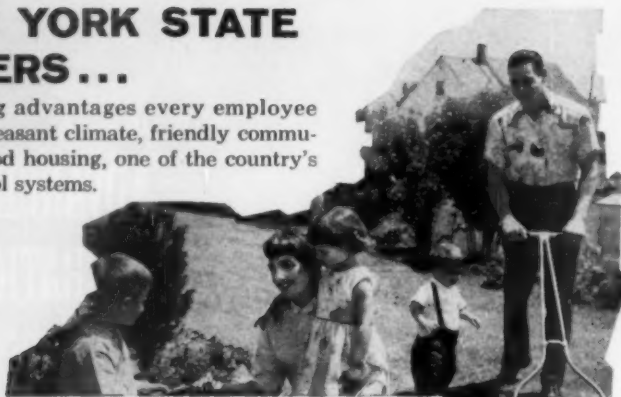
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will expect too much from the 1959s. Though much of the vintage is not yet bottled, the bulk of it has already been bought by retailers and restaurants. Lichine thinks that it will be sold to consumers before it is ready for drinking. "If you like nymphets," he says, "you can drink the 1959s early. But if you want something mature, wait five or six years."

But even if some people are disappointed, he does not think that wine drinking will fall off. He points out that increased U. S. demand has pushed 1960 vintage prices above the 1959s.

IV. Quality vs. Quantity


Although Lichine has been instrumental in broadening the market for fine wines, he faces problems in future sales growth. For one thing, the supply of top-quality wine is relatively small; if demand continues to increase, it will be difficult to satisfy. This may not be an immediate problem, but Lichine thinks that the advent of the Common Market, as well as the increase in U. S. consumption, will make it one before long.

For another thing, Lichine operates pretty much a one-man show. Though he is a gifted promoter with a flair for exploiting his own name and sales, he is already stretched pretty thin. His business has been built on a personal basis, and many of his customers expect to deal directly with him. This is one reason he is constantly on the go, but as his market expands he has no time to relax and build an organization.

• **His Solutions**—But Lichine hopes to solve both these problems. As he sees it, his premium quality wines will command higher and higher prices simply because demand will be so much beyond supply. He predicts that a top Chateau-bottled Bordeaux may sell for as much as \$10 a bottle, compared to the present level of \$5 to \$6. And he thinks there will be a bigger market for some of the lesser-known classified wines, which will sell for about \$5 a bottle—or about double their present price.

But he also thinks that wine drinking will become so popular that there will be an immense market for the cheaper regional wines, blended by shippers. If demand does reach these expectations, he thinks that they will compete in price with the premium California wines, which already have something approaching a mass market.

Lichine, though, plans to stick to the quality market—and expand his own staff so that they can take over some of his duties. He senses a real trend toward individuality and away from uniformity, and thinks that wine is one product that can express this shift. "There's nothing like wine for expressing your personality," he says. **END**



NEW ONE-PIECE CAP HAS A BUILT-IN SEAL!

With the new UN-A-TOP* one-piece plastic cap, **you need no liner.** The integral seal seats perfectly on threaded can or bottle spouts. It automatically locks itself! Versatile UN-A-TOPS screw on and off easily, and they won't jump or strip threads. They are strong, rigid, won't chip or dent, and they are priced in line with metal closures.

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UN-A-TOPS come in all sizes, shapes, and colors. They put extra sales appeal on top of any cosmetic, detergent, food, chemical, or pharmaceutical package.

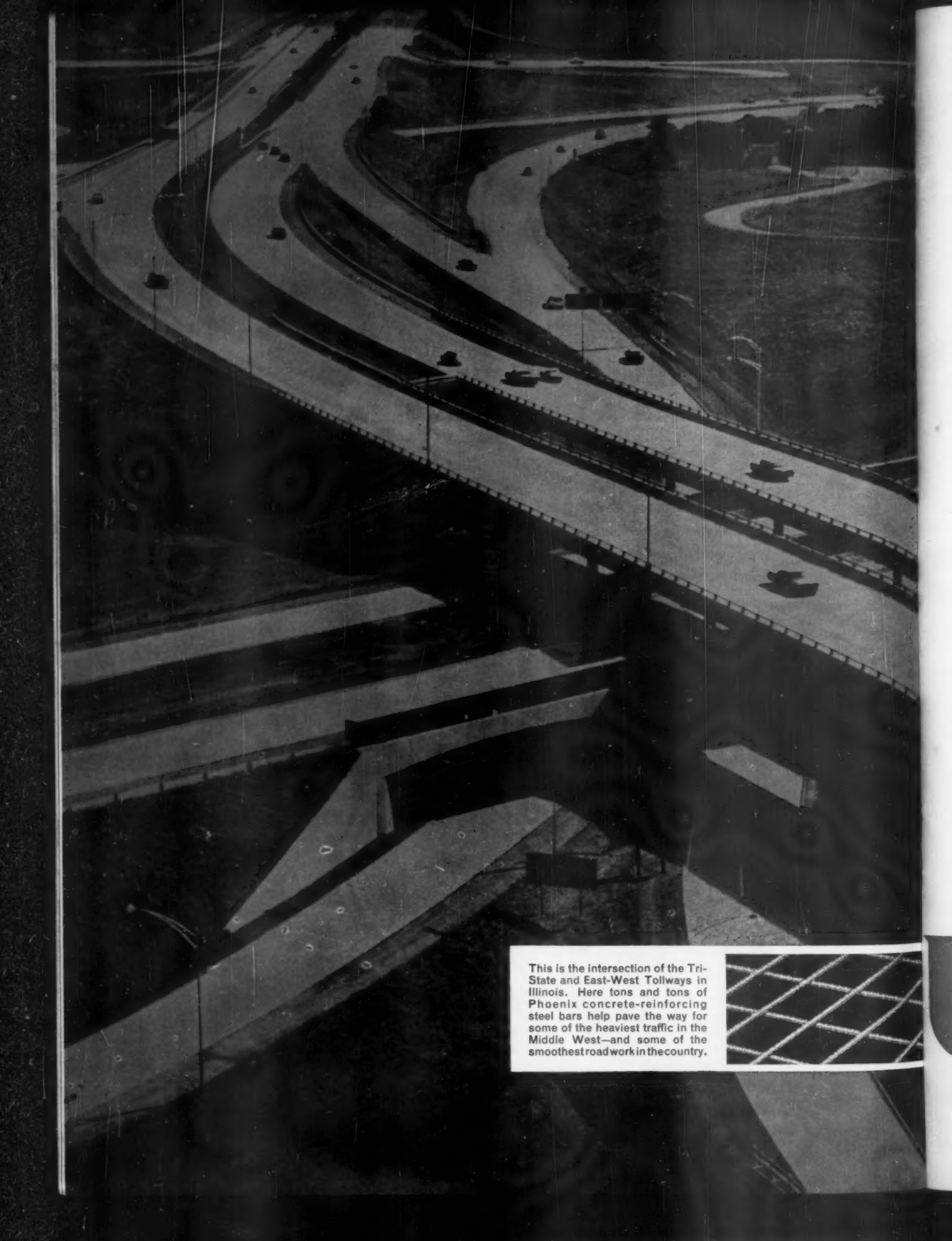
For more information about UN-A-TOPS and SUPER DYLAN write to Koppers Company, Inc., Plastics Division, Dept. BW-625, Pittsburgh 19, Pennsylvania.

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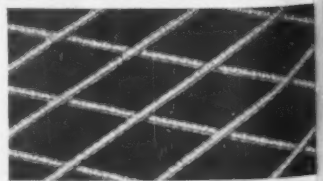


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In Marketing

• • •

Two Major Oil Companies Push Plans For Broader Brand Distribution

The oil world is humming with talk of two pushes, by major oil concerns.

Standard Oil Co. (Ind.), which has been revamping its corporate structure, will announce new marketing plans in the next few weeks. Indiana won't confirm, but the betting heavily favors Amoco as the brand it will sell under nationally—outside the 15-state Midwest area, where Indiana markets Standard Red Crown and Standard Gold Crown.

Standard Oil Co. (N. J.) has been steadily acquiring outlets to give it coast-to-coast distribution, following the reorganization of its domestic operations under Humble Oil & Refining Co. (BW—Sep.12'59,p48). The new brand name "Enco" and Enco Extra is expected to break out in Ohio (though Humble doesn't confirm this, either). Two weeks ago Carter Oil Co., division of Humble, began testing Enco in Washington and Oregon.

There's some conjecture that this means a couple of big new national brands in the next few years. Right now the odds are against it. Indiana and Jersey, along with other companies using the Standard label, face obstacles to national marketing under any name derived from the old court-dissolved Standard empire. Each of the offshoots faces a slapdown if it tries to market a Standard brand in any area where another offshoot has prior rights to the label.

Jersey has a major stake in the name Esso, both nationally and internationally, but the courts have quashed its efforts to sell Esso in Indiana's territory. If Indiana were to give up its Standard brands, Esso might be able to move in on Indiana's market. But, with 17% of that market tied up in Indiana's Standard brands, the big Chicago-based concern isn't likely to make things that easy for Jersey's biggest brand.

Futhermore, latest advertising identifies Humble as "Largest Supplier of Petroleum Energy." Observers read into this a move to tie Humble with the word Energy—and Enco.

Indiana's program will probably involve a change in its trademark to unify the Standard and Amoco emblem. Some 40% of Indiana's products sell under something other than the Standard name. A new symbol, it's predicted, featuring the torch that now appears on the Standard oval and the Amoco oval in some markets, will also appear on other products and markets, under the Amoco tag.

• • •

New Group Proposes to Improve Technology, Boost Standards of Marketing Education

A new Institute for Science in Marketing will get under way if Scott Paper Co. wins acceptance for the idea.

Last week, T. B. McCabe, Jr., director of marketing

services for Scott, invited companies and associations to join with Scott in the immediate establishment of such an organization. The object: to develop improved technology in marketing and to boost standards of marketing education at the graduate level.

At the National Conference of the American Marketing Assn., in Minneapolis, McCabe said his company will underwrite the cost of a study to determine the exact nature and scope of such an institute.

• • •

Bulova Loses "Fair Trade" Suit Against Iowa Watch Wholesaler

"Fair trade" has hit a snag in still another state—this time, Iowa.

Last week Polk County District Judge Ray C. Fountain held that the nonsigner clause in the state's law was unconstitutional.

The decision came in a suit brought by Bulova Watch Co. against Robinson Wholesale Co. of Des Moines and of Davenport, charging that the companies sold Bulova watches at prices below those established by Bulova.

The Robinson companies admitted it, but argued they had not entered into a pricing agreement with the Bulova company.

• • •

Beer Price Discrimination Case Sent Back to Appeals Court

A key price discrimination case, of concern to many industries, got a ruling from the Supreme Court this week. At issue: an Appeals Court decision against the Federal Trade Commission and for Anheuser-Busch.

The Appeals Court had ruled that FTC couldn't charge the beer producer with illegal price discrimination under the Robinson-Patman Act when it cut prices of its beer in the St. Louis area without cutting in other markets. The reason, said the Appeals Court: There can be no price discrimination because all Anheuser customers who are in competition with each other paid the same price for their Budweiser (BW—Apr.18'59,p38).

But the FTC had based its case on another premise—that Anheuser's price cuts had the effect of injuring local and regional brewers in the St. Louis area—and that this is where the injury to competition occurred. FTC presented market figures to show how sharply Anheuser's premium-priced Budweiser had cut into local beer sales when the traditional price differential between premium and local beers was eliminated.

The Supreme Court overruled the lower court on the only legal issue on which the Appeals Court ruled. The high court held there was price discrimination, but this might not be illegal in itself. Then it told the lower court to take the case back and decide the other questions raised by Anheuser in its defense against FTC. Among them: whether the FTC record proved the price cuts injured competition; whether Anheuser's "good faith" meeting of competition was valid, or whether FTC's order was unduly broad.



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There is a formulation of Tenite Polyethylene to meet the demands of most insulating and jacketing applications. For further information on this useful plastic, write EASTMAN CHEMICAL PRODUCTS, INC., subsidiary of Eastman Kodak Company, KINGSFORD, TENNESSEE.

● Both natural and black electrical grade Tenite Polyethylene are available to cable manufacturers as unique spherical pellets which flow freely in the extrusion process and in "air-veying" bulk shipments from truck to bin.

● Cable manufactured by Mohawk Wire & Cable Corporation, 320 River Street, Fitchburg, Massachusetts. Jacketing and insulation extruded of Tenite Polyethylene.

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PROFESSIONS



ELEVATOR with Kaiser aluminum walls, ceiling grid, and mirrors, takes Becket and A. B. Ordway on tour of Kaiser Center.



DOOR PULLS and trick lighting fixtures are examples of the many details Becket designed to show use of Kaiser products.

Designing

Five years ago, the fast-expanding industrial empire of Henry J. Kaiser faced the problem of many corporations today: Its headquarters was badly in need of revamping. Kaiser was cramped into inadequate floor space spread over four buildings in downtown Oakland, Calif.

The solution is gleaming new Kaiser Center, a \$45-million, 28-floor structure being occupied by Kaiser this month. Designed by Los Angeles architect Welton Becket (cover), Kaiser Center will house 61 Kaiser companies, divisions, and subsidiaries—besides providing a showcase for Kaiser's construction products.

KAISER CENTER, designed by Welton Becket (right), is built almost entirely of Kaiser products and Kaiser raw materials.



GLASS for windows is one of few non-Kaiser materials used in Kaiser's new building. Elsewhere, glass and anodized Kaiser aluminum are blended in facade; wood wall surfaces are accented with aluminum strips; marble and dolomite are pebbled into Kaiser cement walls.



CEILING VANES are made of aluminum, and Kaiser dolomite rock is incorporated into walls. The arc-shaped structure contains 60,000 sq. yd. of Kaiser cement, 250,000 sq. yd. of Kaiser gypsum lath and plaster, and about 125 miles of Kaiser steel pipe.

a Showcase for Industry

• **Why Becket**—When Kaiser decided to build, he wanted three things—an unusual piece of architecture to add to Oakland's drab skyline, a working example of the use of Kaiser products in architecture, and an efficient arrangement of his corporate activities in a single structure. Any one of a dozen architectural firms could have done the job, but Kaiser picked Becket, without considering any alternatives, largely because of Becket's previous work for him.

As his first job for Kaiser, Becket remodeled Kaiser's New York offices, in which Kaiser materials are integrated into all aspects of the decor. Next, Becket was recommended by Fritz B. Burns—Kaiser's partner in several Hawaiian housing projects—to design Kaiser's Hawaiian Village hotel complex

in Honolulu. Kaiser's satisfaction with this job, plus Becket's 30-year career as a top Western architect with nearly \$2-billion worth of work put in place, got Becket the Kaiser Center contract.

Becket also was hired for the complete job he could do. "After all, we have our own architects and engineers—we could have done the center ourselves. But Becket has someone of quality in every phase of architectural design, and he could do the building we wanted with beauty, taste, and usefulness," says A. B. Ordway, general manager of Kaiser Center, Inc., the company

ESCALATOR railings are made of Kaiser aluminum. Radium aggregate quarried by Kaiser is embedded in terrazzo floors in lobby.



... Stacks of Nestaway racks show nesting, interlocking and space-saving features of racks for baked goods handling made by Mid-West Metallic Products for its affiliate, Nestaway, Inc. Rack held by Harold W. Vetter (left), Mid-West

director of manufacturing, and Robert J. Adams, purchasing agent, holds 12 loaves of bread and stacks 12 high on castered base. Rack uses up to 13.3 pounds of Pittsburgh Steel Co.'s bright basic wire.

DELIVERING BREAD—BY WIRE

Pittsburgh Steel wire's uniform welding, forming properties give Mid-West Metallic extraordinary success in the manufacture of Nestaway racks

Bread and pastries are delivered better by wire. That is, by welded steel wire racks that perform double duty in handling and selling baked goods.

Mid-West Metallic Products, Inc., a fast-growing subsidiary of Rubbermaid, Inc., uses Pittsburgh Steel Company's bright basic wire to build wire shipping racks for its affiliate, Nestaway, Inc., another Rubbermaid subsidiary. In addition to the Nestaway racks, Mid-West makes more than 300 other wire formed products, using Pittsburgh Steel's bright basic and galvanized wire in a wide range of sizes.

The Nestaway racks, however, are a prime example of Mid-

West's experience in using Pittsburgh Steel's .3625 and .3065 bright basic wire.

The racks are part of a complete Nestaway system for baked goods handling to and at the point of sale. The system includes interlocking wire racks, rack shelves and caster bases. It eliminates nearly all direct handling of baked goods between bakery and consumer.

To build the Nestaway racks, Mid-West uses automated and semi-automated forming and welding equipment of its own design. This equipment requires wire with the highest possible uniform physical properties. Mid-West depends on Pittsburgh Steel for much of its wire

supply because it is assured consistent, uniform quality.

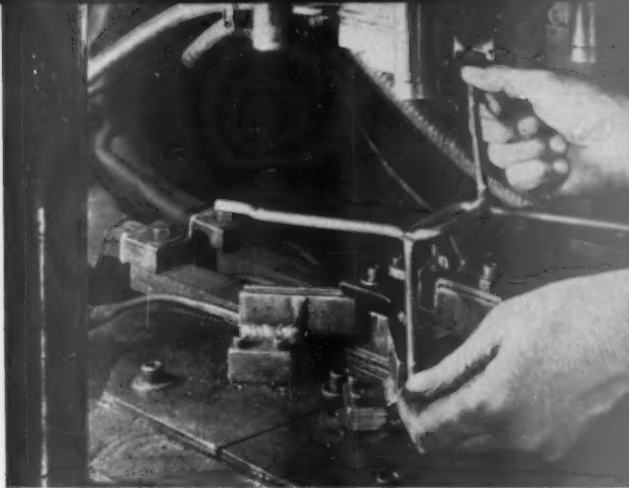
• Phenomenal Welding Success—Made in 11 sizes ranging from 8.4 to 13.3 pounds in weight, an average Nestaway rack requires 200 welds. On welding, Harold W. Vetter, Mid-West's director of manufacturing, says:

"In all of our production last year, we had an extraordinarily low number of broken welds. We've had racks returned that had been accidentally crushed by trucks—but the welds were seldom broken."

Purchasing Agent Robert J. Adams adds further evidence of the



... From straightening and cutting through final copper-nickel-hard chrome plating, Pittsburgh Steel's wire meets Mid-West Metallic's requirements for consistent uniformity of forming, welding, coating properties.



... Key piece of rugged Nestaway rack—the bends and welds on "X"-shaped side supports are produced to tolerances of plus/minus .015 inch by Mid-West Metallic with Pittsburgh Steel's .3625 bright basic wire.

weldability of Pittsburgh Steel's bright basic wire, saying:

"We found Pittsburgh Steel wire would consistently hold welds when we bend the welded ends of the rack's bottom frame to form Nestaway's interlocking feature."

• **Close Forming Tolerances—**Because Nestaway racks are built to stack when loaded and nest precisely when empty, wire bends are made to unusually close tolerances. Mr. Vetter explains:

"This rack is so accurately formed that it's practically a machined product. Every bend—even over-all dimensions and some welds—is held to a tolerance of .015 inch."

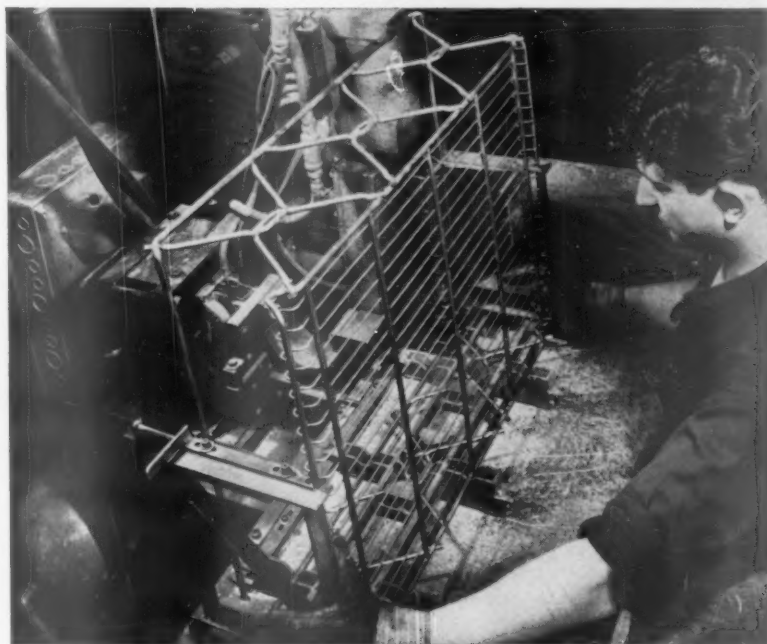
Surface finish of Pittsburgh Steel's wire is vital, too. After assembly, the rack is given a copper-nickel-hard chrome coating to provide a durable, attractive unit which meets strict standards of cleanliness.

Pittsburgh Steel's ability to supply wire with the consistent quality Mid-West Metallic requires is testified to by Purchasing Agent Adams. He says:

"Pittsburgh Steel furnishes us quality wire with uniform properties from shipment to shipment. Otherwise, we're in trouble on our automatic machines. We want wire that is weldable, formable and clean.

"Pittsburgh Steel has been able to give us what we want with consistency and we're extremely satisfied with the way its wire performs for us."

Take a lesson from Mid-West Metallic's experience. The benefits this progressive company gets from using Pittsburgh Steel's wire can be yours, too, whatever your application. Just contact one of the district offices listed at the right.



... With 200 welds per rack and a present capacity of more than 25,000 Nestaway racks per month plus component parts of the Nestaway System, Mid-West Metallic experiences very few broken welds in the course of a year. Credit goes to efficient equipment and wire quality. Nestaway rack is shown here in assembly before chrome plating. Mid-West, a subsidiary of Rubbermaid, Inc., looks to Pittsburgh Steel for bright basic wire and plain galvanized wire to make Nestaway racks and more than 300 other products at the new Cleveland, Ohio, plant.

Pittsburgh Steel Company

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BASEMENT OFFICE overflows with blueprints and samples of Kaiser products. Stanley Spicer (left), project architect, and Becket check plans as building nears completion.

set up to coordinate design and construction, then lease and operate Kaiser Center.

I. The Kaiser Project

The creation of Kaiser Center illustrates the architect-client relationship so important today as more office structures are built for prestige value, or operating efficiencies, or rental space. Becket thinks in terms of the client's problems and feels that the architect who imposes his idea over the client's needs is corrupting that responsibility. That's why there is no such thing as "Becket architecture."

Other renowned architects agree with this trend away from trademark architecture. Charles Luckman, whose firm does a fourth of its work in offices, says that keying each project to the way the company does business automatically insures the individuality of each project. Eero Saarinen of Detroit believes the heart of a design approach lies in a problem—often far from aesthetic—that must be solved.

• **A New School**—Becket's relationship with Kaiser embodies many of the rules now considered essential to a successful office project. One example was his selection as architect at the time Kaiser and Burns were looking for a site. "Bring the architect in on site selection, and don't plan the building before the site is picked out," says Becket.

Kaiser originally wanted his center next to a Hilton Hotel project in Oakland. Becket quickly pointed out that the space available would meet only one-fourth of Kaiser's needs. So Burns found another site on Oakland's Lake Merritt, and Kaiser decided to build an entirely separate office facility there.

• **Liaison**—How that facility met the Kaiser companies' needs was dictated

from the client's side almost solely by Henry J. Kaiser himself. Becket's staff and the rest of Kaiser's senior management agree that the size, shape, decor, and materials that form Kaiser Center result from the 78-year-old founder-chairman's role in the project.

Kaiser, who spends most of his time in Hawaii, was not a constant physical presence at the site. At Becket's suggestion—this is another important rule—Kaiser appointed one man, Ordway, to act as liaison between client and architect. (Seagram's followed the same policy in working with Mies van der Rohe in New York.) But Kaiser himself exercised the creative judgment.

• **Heads Together**—The plans for Kaiser Center took shape during a series of meetings between Henry Kaiser and Becket, who made several fast flights to Hawaii. Since Becket's firm handles such a big volume of work, Becket himself takes the strongest role in a project in its early stages—the schematics and preliminary design. "This is where you sell a building to a client, especially one like Kaiser," he says.

At the first meetings, Becket learned that Kaiser wanted (1) an arc-shaped building based jointly on the Fontainebleu Hotel in Miami Beach and on some arced towers Becket had drawn into the master plan for Hawaiian Village, and (2) a headquarters that would use Kaiser materials in its design as widely as possible.

Becket then called in his director of design, Maynard Woodard, and outlined—through words and sketches—what Kaiser wanted and what Becket thought would satisfy those wants. Woodard then turned his designers loose.

The next phase came in a series of meetings held every three months or



Chrome chemicals put the soft sell in leather

Among consumers, leather still rates tops in beauty, luxury, elegance, durability—despite strong competition from newer materials.

One big reason for this preference is the softness and comfortable wearing properties imparted by chrome tanning. The change from tough, unattractive raw hides to soft, luxurious, finished leathers is little short of miraculous.

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Dept. 16, WATERTOWN, N. Y.

so in Oakland. "We would aim for the big presentation," says Carl Russell, director of office planning for Becket. Except for particularly tough problems, or an impasse between designers, Becket gave his staff their heads in between these meetings. They would bring their results to him a few days before a meeting and he would criticize, make suggestions.

• **Kaiser-Size**—Kaiser's reaction was generally expressed in "I like that" or "I don't like that" statements. Becket's people also knew they had missed if Kaiser's attention wandered. Kaiser most typically made quick, curt judgments. "It's too small," he snapped after his first look at a perspective of the entire building. "Nothing is too big for Henry J.," says Becket. "But it's a tribute to him that the center is big enough—he made each company raise its space at every meeting, and we added two more floors to the original 26." Kaiser originally intended to rent one-third of the center, "but in two years we have moved so fast that now there is no office space to be leased," he says.

• **A Materials Problem**—Kaiser also brought in his own solutions to problems—for example, in the form of a materials research man who had ideas on how to work out the use of Kaiser materials in the center.

Using Kaiser materials in design didn't seem too big an order, since Kaiser makes steel, aluminum, gypsum, cement, and quarries various types of rock. What made the requirement unique was the extent to which Kaiser wanted it carried. Wood and marble are common architectural materials, but Becket's first presentation of wood interior walls was greeted with "Why are you showing me wood—we don't make wood." When Werner Heumann, Becket's interior chief on Kaiser Center, lugged in marble samples for the lobby, Kaiser said, "We don't make marble."

Both wood and marble—as well as other non-Kaiser materials such as glass—are used in Kaiser Center, but in close conjunction with Kaiser products. Glass and anodized Kaiser aluminum make up the facade of the building; wood wall surfaces are accented with aluminum strips; marble and dolomite are pebbled into Kaiser cement walls, complementing a Kaiser Radium rock terrazzo floor.

• **80% Kaiser**—The result is that Kaiser Center is 80% Kaiser products or Kaiser raw materials. The structure contains 60,000 sq. yd. of Kaiser cement and 250,000 sq. yd. of Kaiser gypsum lath and plaster. The radiant heating and cooling system contains 125 miles of Kaiser steel pipe. Radium aggregate and dolomite quarried by Kaiser in northern California are embedded in the lobby's terrazzo floors,

walls, and columns and in the pre-cast concrete end panels on the exterior.

Aluminum—nearly 2 lb. per sq. ft.—is used in the exterior front and rear curtain walls, for interior ceiling and wall surfaces, in air-conditioning ducts, and in the specially designed office furniture for the nine floors belonging to Kaiser Aluminum & Chemical Corp. Elevator walls have extruded aluminum surfaces in six bright colors—another Kaiser preference—as well as aluminum grill ceilings and aluminum mirrors ringing the tops of the cabs. Heumann also tried to devise a terrazzo floor of aluminum chips. Temperature changes made them pop out, but he is still working on the idea.

• **Proof of Pudding**—Edgar Kaiser, Henry Kaiser's son and active president of Kaiser Industries, Inc., shuns the word "showcase," but agrees that the center is intended to illustrate what can be done architecturally with Kaiser products. "We make the products for public consumption, so when we build them ourselves, it helps us," he says. He believes that some of the applications of Kaiser products in the Center—such as the aluminum elevator extrusions and the pre-cast dolomite end panels—will find quick markets. The various Kaiser companies will be encouraged to exploit the development work done for the center.

Showcase or monument, Kaiser Center is also practical, designed to the Kaiser way of doing business. This is another important design criterion for architects who extend their services into interior office layouts. Becket's staff, for instance, found that Kaiser operations are fast and impromptu, with large meetings called on short notice. This meant the strategic placement of capacious conference rooms. Also Kaiser and his executives go in for electronically controlled offices, which required careful placement of power lines on the modular grid.

• **Research Jobs**—Becket got a head start on some of these problems through his interior work on Kaiser's New York offices—some of the possibilities for aluminum were explored there. But the more extended requirements of Kaiser Center called for a bigger research effort.

To get uniformity of shades in the anodized gold spandrels (horizontal members) and charcoal mullions (column covers) for the aluminum facade, Becket worked directly with Kaiser Aluminum & Chemical Corp. To incorporate dolomite and Radium rock into pre-cast panels and terrazzo floors, Becket consulted concrete specialists, then tested the results for weathering and fabrication methods. One result was the development of new methods of hanging the exterior end-wall panels.

Research to get a uniform carpeting fabric was carried on with rug com-

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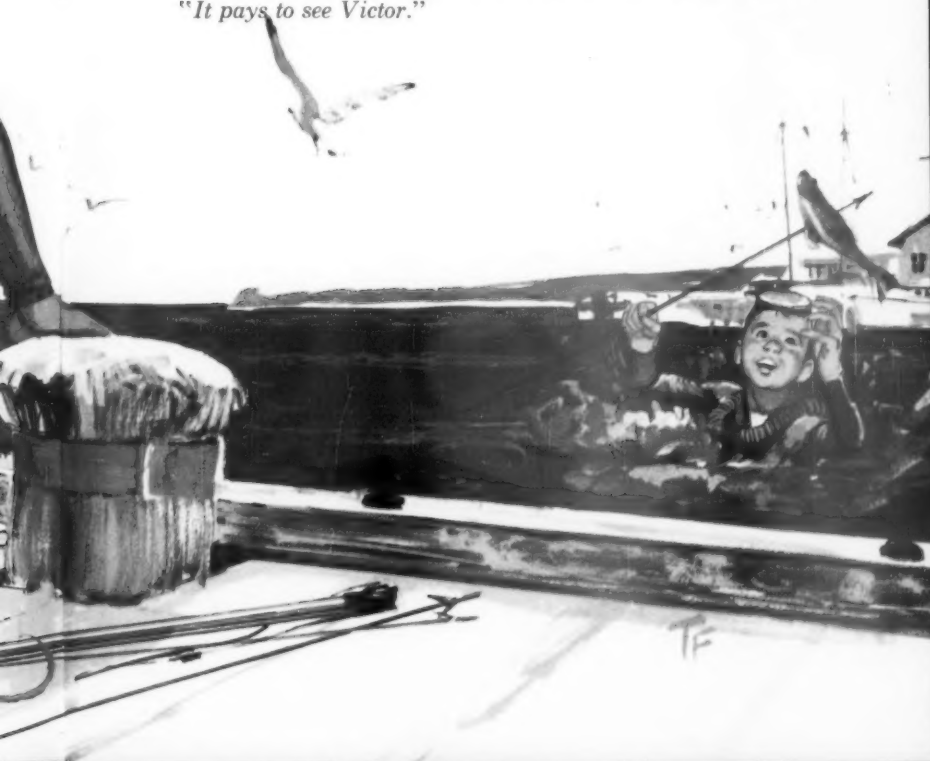


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... Becket thinks his firm will be lucky to make its fee on Kaiser Center since a good part of the profits were eaten up by research time . . .

(STORY on page 80)

panies, then installed on all 28 floors under one contract—saving the separate Kaiser companies considerable money. The same approach was used to get the glass fiber cloth for all window interiors.

II. Professional Rating

One yardstick of the architectural profession is the amount of detail design a firm does. Maynard Woodard says that Kaiser Center is more tailor-made than any project Becket has ever done. He cites the aluminum door pulls and lighting fixtures as examples of the sort of thing the firm did itself. Architects who build for speculative developers and for maximum use over looks are more content to buy details from catalogues, and their strict utilitarianism results in lower building costs and lower fees.

Architects can be rated according to their fees, but these are controlled at one end by a strict schedule of minimums—5% to 8%—set by the American Institute of Architects and at the other end by fierce competition. Also, many architects are switching to lump sum or times/payroll contracts, both to insure their fees and to end the profession's ethical headache over fee-cutting.

• **Price-Utility Factor**—A somewhat better comparison can be made on the basis of cost per square foot of a building, always taking into account that this cost is influenced by the quality of design the architect is hired to produce. Strictly utilitarian architecture can be bought for \$20 to \$30 a square foot, but critics say that holding initial costs down often results in use of materials that wear and weather quickly. More elegant design costs between \$30 and \$40 a square foot. And a top price of \$45 can be paid for a highly original structure such as the Seagram Building by Mies van der Rohe in New York.

Kaiser Center falls somewhat in the center: The \$45-million structure will come in at about \$32 a square foot. Becket's designers feel that a premium was paid for the shape and use of materials, but Kaiser points out that "we look at Kaiser Center as a pioneering project and you have to spend more for this."

Actually, Becket thinks his firm will be lucky to make its fee on Kaiser Center, since a good part of the profits were eaten up by research time that could not be charged to Kaiser, as well as model and mock-up work to prove that an idea would work. But, says Becket, "Kaiser Center is the sort of job you

do for the other business it will bring in." Becket has done repeat business for Hilton, Gimbel's, Broadway-Hale Stores, as well as Kaiser.

III. Sole Proprietor

Becket, at 57, is sole owner as well as president of Welton Becket & Associates, one of the largest architectural firms in the U.S. His permanent staff of 430 will put \$150-million worth of architecture in place in 1960.

Becket got his training at the University of Washington and at L'Ecole de Beaux Arts in Fontainebleau, then Becket formed a partnership with Walter Wurdeman, a college friend. The firm at first specialized in homes for motion picture stars, but broke into commercial work in 1944 with a suburban store for Bullocks, Inc., in Pasadena. In the late 40s, Wurdeman & Becket did office buildings for Prudential Life Insurance Company and General Petroleum Corp. in Los Angeles—which established the firm's reputation for casual, western-style design and lightweight construction. Becket took over the entire practice after Wurdeman's death in 1949.

• **More Office Work**—Although he doesn't specialize in office work, Becket is doing more of it now than ever before—35% of his volume, or something over \$50-million. This includes the six largest office projects in the West: In addition to Kaiser Center, Becket is designing office centers for the Cullen estate and for Humble Oil & Refining Co. in Houston, and for Southland Life Insurance Co. in Dallas; he is also doing single buildings for Travelers Insurance Co. and for the federal government in Los Angeles. In this last, Becket leads a team of three architects.

Becket's dollar volume in offices puts him in a class roughly with Skidmore, Owings & Merrill (an estimated \$50-million in offices in 1959); Harrison & Abramovitz (\$45-million); Carson & Lundin (\$50-million); Kahn & Jacobs (\$60-million); and Charles Luckman Associates (\$60-million). All these firms trail Emory Roth & Sons, the champion in office volume with \$120-million in 1959, and in percentage with 95%.

• **Team Work**—Despite his sole proprietorship, Becket dislikes having his firm called a one-man operation. "This office is a team of perhaps 20 people—one man just couldn't do this volume of business," he says. Becket also resents criticism—from no less an architect than the late Frank Lloyd Wright—for not

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having a "Welton Becket" style of architecture. Becket designers work religiously to keep from imitating themselves, repeating architectural clichés.

As an office architect, Becket feels his contributions have been in use of materials—Kaiser Center is the fullest expression of this—but he also was the first to use Mosai panels on office exteriors for General Petroleum and Prudential, and in lightweight construction techniques such as the use of Vermiculite in place of concrete for structural fireproofing. The firm is now developing thin-shell concrete techniques.

IV. Master Planners

The continuing boom in office buildings means that Becket, like his competitors, will probably continue to increase his volume in this type of work. But Becket is known for other architectural forms, and finds his allegiance shifting from one type of project to another. Right now, he is excited about the \$10-million, 3,100-seat Music Center his firm has designed for Los Angeles after 12 years of delay. He thinks it will compare favorably with the music auditorium in New York's Lincoln Center for the Performing Arts.

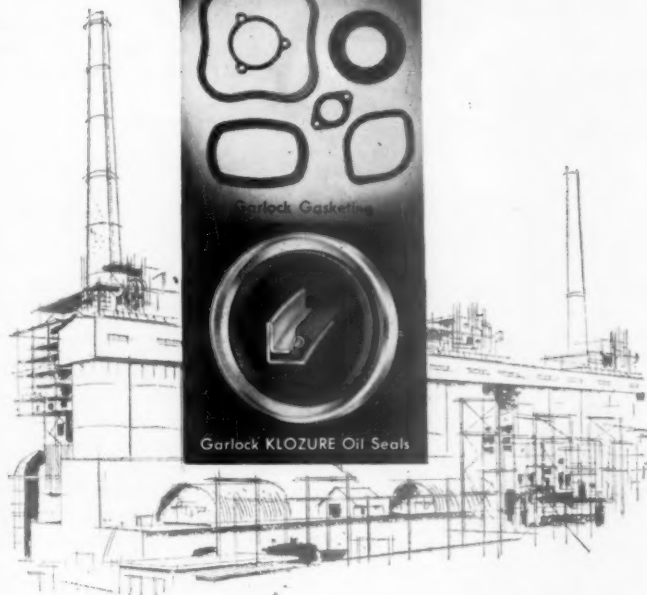
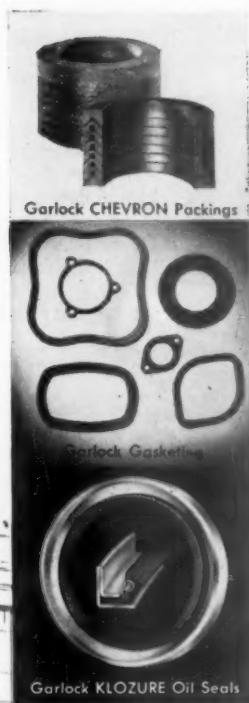
Becket also thinks the new medical center he designed for the University of California at Los Angeles is an improvement over medical facilities that have grown up piece by piece, with treatment and teaching housed in separate buildings. The Humble Oil building in Houston is another Becket favorite; his designers are experimenting with exterior panels that can be stamped out on the job site.

• **Architect-Economist**—Becket feels that an important function of the architect of the future will be master planning and economic studies of entire city areas as well as smaller areas. Becket already is under long-term master planning contracts for UCLA and for the Los Angeles (where he shares planning with Luckman and Paul R. Williams of Los Angeles) and San Francisco airports; and some downtown planning was included in his work on Southland Center in Dallas and Cullen Center in Houston.

This belief is shared by William Pereira of Los Angeles, who is doing similar work for the University of Southern California, in Orange County south of Los Angeles, and for an 11,000-acre mountain area on the fringe of Los Angeles. Becket and Pereira, although they have different architectural ideas, have other things in common: When Becket moves into new offices in Beverly Hills next month, Pereira will take over Becket's old offices.

"I'm hoping to get some of the drop-in trade," says Pereira. **END**

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Congo Plunges Into Self-Rule

Cut loose by Belgium on six-months' notice, rich African colony tries to figure out how to run itself.

With virtually no preparation, the Belgian Congo, for generations the world's most valuable colony, is rushing toward independence on June 30.

Primitive, divided, confused by agitators of all stripes, the Congo is bound to be a turbulent member of the world community. Many of the 113,000 Europeans who are lost in the sea of

13-million Congolese have in fright sent their women and children home. Chaos is spreading; disintegration threatens the new nation even before it exists.

• **Global Problem**—These aren't problems only for the Congolese and their former masters in Brussels. For chancelleries around the world, the remote and backward Congo has these points of interest:

As an underdeveloped strategic area, it is a ripe target for the Communists, and it must be defended by the West. The Congo, as large as continental

Europe, is the geographic heartland of Black Africa, thus a major arena for racial nationalism.

As a mineral-rich country, its mining and marketing policies can affect commodity supply and price on every continent. Besides leading the world in cobalt and industrial diamonds, the Congo is a major source of copper, uranium, gold, manganese, and tin. It also exports cotton, rubber, vegetable oils, and coffee.

As a nation in need of outside investment, an independent Congo will either have to offer inducements to private capital that will offset the hazards or else lean heavily on the Soviet bloc. Some Western businessmen already find the Congo tempting enough to invest there—at least they say they do. But the capital flow is still away from the Congo instead of toward it. Meanwhile, the Congo has received loans from the World Bank and a qualified assurance of aid from the overseas development fund of the European Common Market.

I. No Preparation

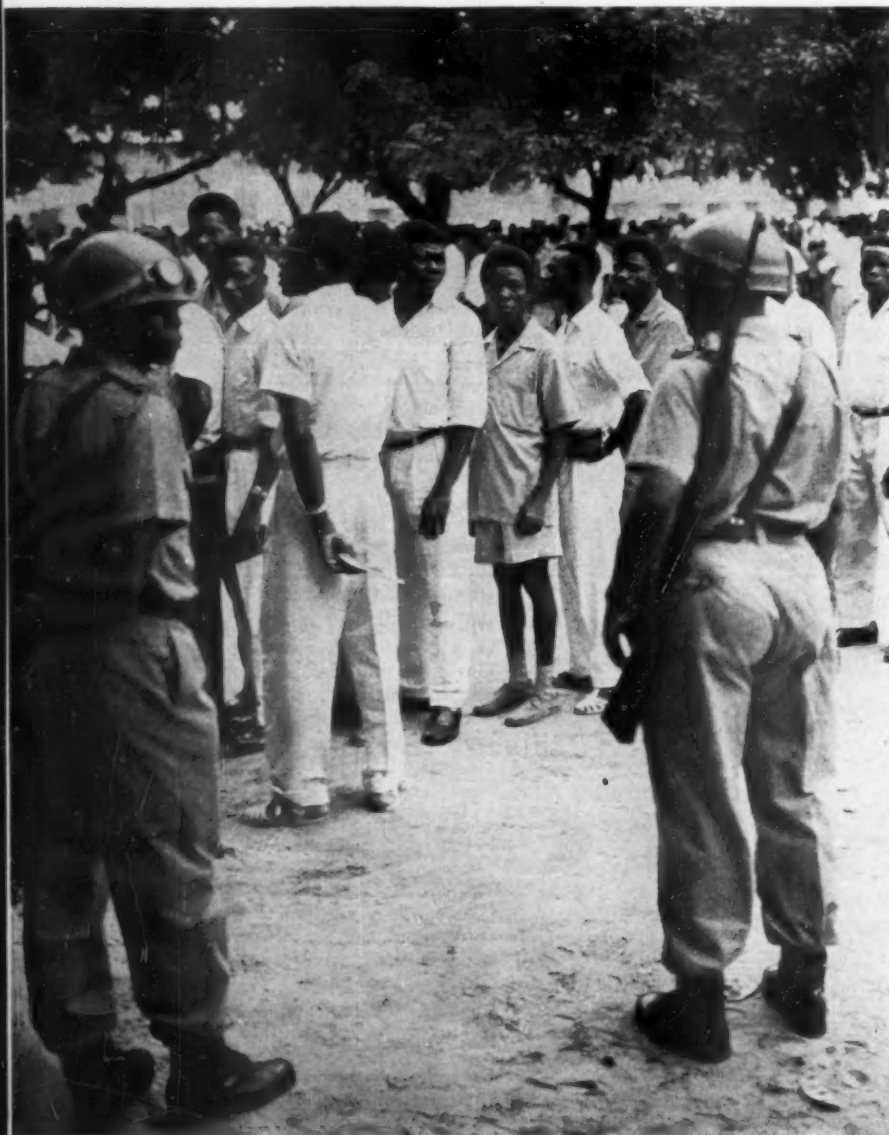
It's hard to see how the Congolese can suddenly achieve a government responsible enough to meet the challenges of the next few years. Instead of jelling into a stable society, on the eve of sovereignty they are sinking deeper into an ugly mess of dissension, division, and distrust.

Tribes are quarreling. Regions are against each other. Provinces talk of secession unless their interests are favored in the new government. In one area, laborers imported from other districts are fleeing from rumors that cannibalism, a lingering threat among the most backward tribes, may spring up again, with strangers as the first victims.

Belgium, the retiring landlord, has become a hate image. Anti-white invective has panicked Belgians not only into sending their families back to the homeland but also into sending their money—about \$200-million of it in the last few months.

• **At Fault**—Inevitably, blame for the anarchy of the Congo will fall on the Belgians. For 51 years they ran the Congo, their prize colony, in an extreme of paternalism. They did build up the economy, introduce health services, offer some primary school education. On the other hand, they did nothing to prepare the Congolese for self-government, then sprang it on the people on six-months' notice.

Thus, from paternalism the Belgians swung in months to an extreme of

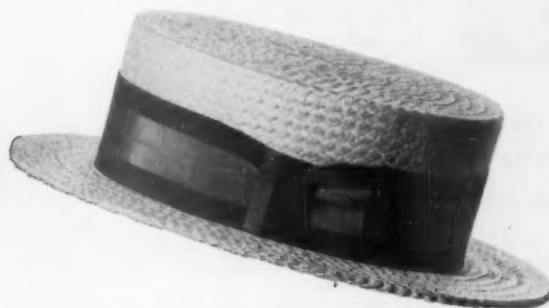
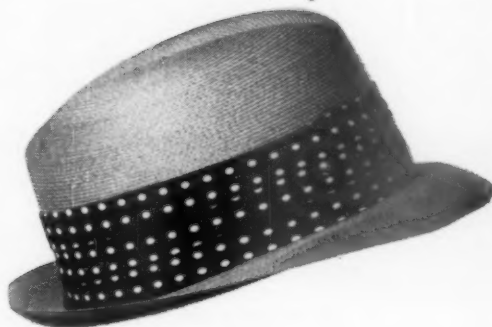


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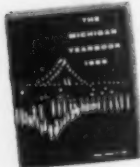


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hands-off. They gave the Congo no intermediate stage, such as a provisional native government that could have operated side by side with the colonial governors and gradually taken over the reins. Now the Congo has no civil servant class above the rank of minor clerk; it has no constitutional framework, no national political organization. In all its 13-million-plus population, there aren't a dozen college graduates.

• **Political Setup**—Belgium may not have wanted to cast the Congo adrift so abruptly, but its hand was forced by last year's Leopoldville riots. The development of plans for independence in other African territories of European countries made it plain that the rioting was no passing phenomenon but might be expected to get more bitter unless nationalist hopes were recognized. That's when the June 30 date for sovereignty was suddenly set.

On a timetable so fast that it left the Congolese bewildered, an election was held last month for a national legislature. Results gave no party a majority. At midweek, Lower Congo leader Joseph Kasavubu had pulled together enough splinter groups to form a coalition cabinet. Its longevity was threatened, however, by militant, politically stronger Patrice Lumumba, who failed to form a coalition cabinet after his extremist National Congolese Movement won more seats (41 out of 137) than any of the other 20-odd parties.

A prime political issue is whether

the new Congo government should be highly centralized or a mere federation of rather independent provinces. Lumumba, who calls himself "a nationalist and not a Communist or a dictator," wants power to be centralized. However, leaders from mineral-rich Katanga Province and the Lower Congo insist on a federalized government; they want to keep the resources of their provinces from going into the common pool. Both regions have threatened to pull out if a centralized form of government is adopted.

II. Effects on Business

Economic effects of the Congo's uncertainties have already been felt abroad. In London's commodity markets, for example, tin prices have risen sharply as Belgian interests began stockpiling against possible interruption of supplies from the Congo. Copper prices rose, too.

No foreign company—and the Congo has no major businesses of its own—can be sure of its future in the new nation. Some have hastened to remove liquid assets; others are getting ready to do so at the slightest sign of trouble. However, the Congo's resources are undeniably alluring, and some companies, including Britain's Unilever, talk of eventually increasing their investments in the Congo.

Unilever, through Belgian and Congo subsidiaries, has a big interest in the country's palm oil. Because of a shortage of local labor, it has imported palmtut pickers from other parts of the Congo to the forests where the palms grow wild, and it is these migrant workers who are fleeing in fear of a cannibal outbreak.

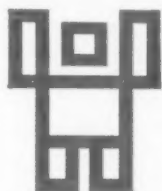
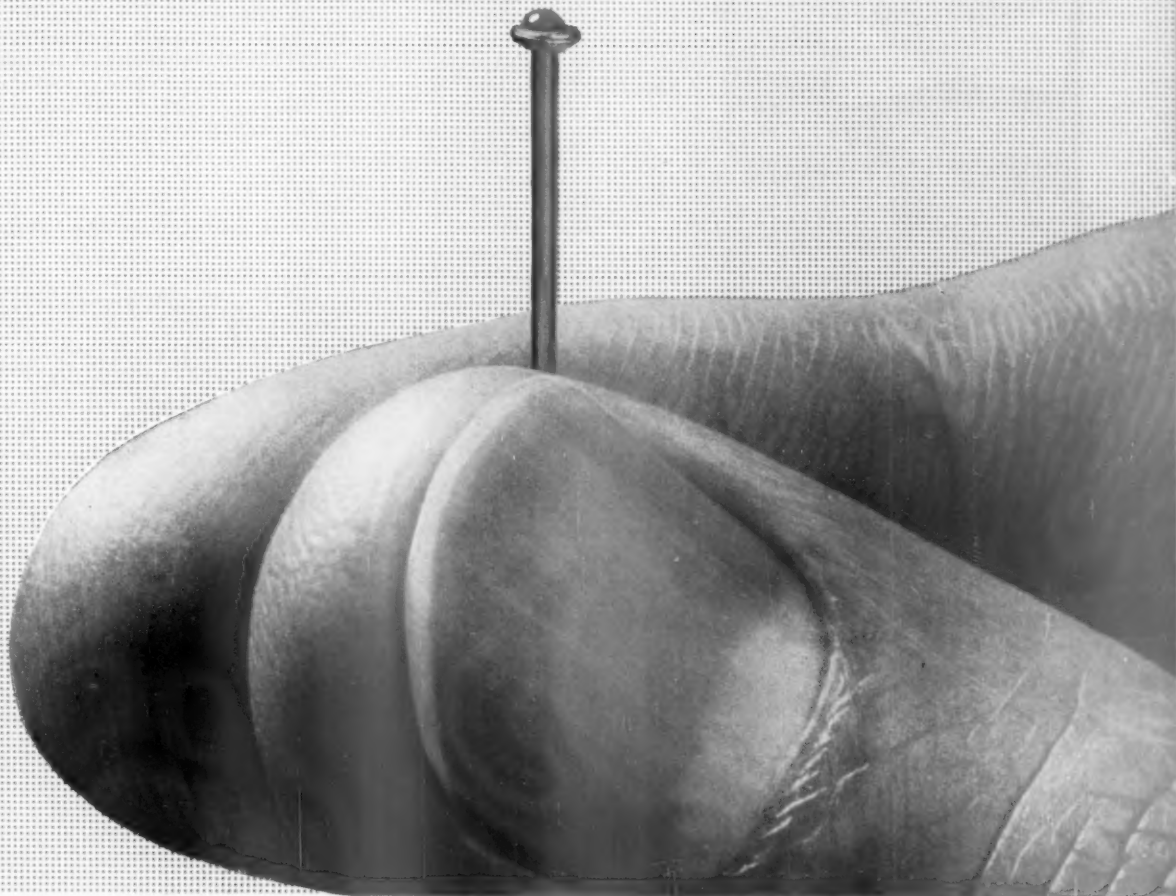
• **Business Empire**—The greatest financial force in the Congo is the financial empire known as Societe Generale de Belgique, which has been virtually a government in itself. It is estimated that Societe Generale controls, or has controlled, up to 90% of Congo business. Until five years ago, its subsidiary Banque du Congo Belge even issued the country's banknotes.

Belgium has been variously estimated to have a stake of from \$3½-billion to \$7-billion in the Congo. Societe Generale has removed most of its cash from the country, and the Congo's economy would be in a disastrous state if the Belgian Central Bank had not balanced this withdrawal by putting an equal amount into the country.

Other Belgian financial companies have interests of lesser importance, notably the Empain group, with its control of rail and river communications and its mine concessions on the Congo above Stanleyville.

The U.S. stake in the Congo is estimated at \$10-million or \$12-million.

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Reynolds Metals Co. is the biggest U.S. investor. Other smaller interests are in rubber and copper.

• **New Climate**—Foreign companies will mostly hold onto what they can after next Thursday, but there's no doubt that the whole way of doing business in the Congo will be far different from the days when Belgium had a virtual monopoly.

Government finances will start off in bad shape, and the new government will doubtless seek to increase its revenues from business. The government portfolio of business holdings already yields more than \$20-million a year, and the government is expected eventually to become a dominant, if not controlling, shareholder.

One thing is sure: There will be no sympathy in the Congo for Belgian businessmen. In all the Congo's years as a colony, Belgium took out far more than it put in. Whatever investment was made in the Congo, to develop resources, came almost entirely from the profits of companies already there. In the past five years alone, the net outflow from the Congo amounted to around \$1.3-billion.

III. Two Trouble Spots

Economically and politically, the spotlight will be focused on two areas: Katanga Province, which has practically all the country's mining, and the Lower Congo, where the Inga power project is a hot issue. These two areas, often described as a potential African Ruhr, both talk of seceding from the Congo.

Katanga is so rich that it provides 60% of the Congo's income, mostly from copper and cobalt mined by Union Minière de Haut Katanga, a unit of the Societe Generale. Opposed to sharing their wealth with the rest of the Congo, Katanga's leaders advocate a loose confederation as the new form of government. If Lumumba wins his scheme of centralized government, they say, Katanga will either remain separately independent or will associate with neighboring Northern Rhodesia, outside the Congo but also rich in copper. Union Minière officials and the Rhodesians are both said to favor this idea.

Inga, near the mouth of the Congo River, may become an international storm center. It has enormous potential as a site for a hydroelectric project. An international group including Reynolds Metals, France's Pechiney Aluminum, British and Canadian interests, and several Belgian companies is eager to develop power for the aluminum industry.

However, other groups, including French and Belgian promoters, are also keen on the Inga site. And an association of native property owners says it has asked Russia to help develop the site for them.

Locally, the argument has gotten so bitter that Joseph Kasavubu, a Franco-ophile, says he may call on French colonial troops in nearby Brazzaville, in the French Congo, if he finds he can't keep order. This possibility prompted the Portuguese in neighboring Angola (Inga is on a finger of territory between French and Portuguese land) to deploy troops on the Lower Congo frontier.

Whatever government is formed in the Congo, it will have a problem at Inga.

IV. Place in the World

While working for stability at home, the new Congo government will be forced by its need for foreign aid and investment to take some position in international affairs. It's hard to see yet which way it will lean.

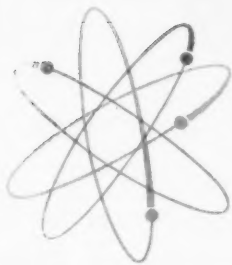
The Belgian government will sponsor the Congo for membership in the World Bank, the International Monetary Fund, and presumably the General Agreement on Tariffs & Trade. At a discussion in Brussels, Congolese delegates said their country might be interested in association with the European Common Market (BW—Jun.18'60, p36).

If it carried out this idea, the Congo government would have to deal with the Common Market through Brussels—a channel that would be distasteful to nationalistic Congolese but the only way to get aid from the Common Market's \$582-million development fund.

Moscow is said to be ready to offer the Congo at least \$100-million as a development loan. Washington would find it hard to match that, since the U.S. aid budget for all of Africa south of the Sahara is only \$200-million. Still, an International Cooperation Administration team from the U.S. has hopefully set up a "permanent" office in Leopoldville.

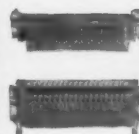
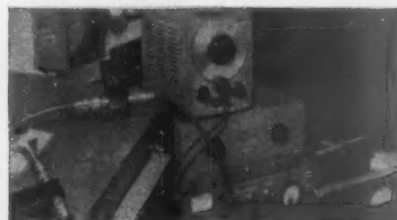
• **Expropriation Threat**—No one is overlooking the possibility that the Congo, in its political confusion and its resentment against Belgium, might turn to wholesale expropriation of foreign properties as a way out of its economic troubles. That's what happened in Indonesia when the government took over from the Dutch. For Belgium, with its multibillion-dollar investment, it would be a brutal blow.

It is evident that Brussels hoped by granting quick independence to prevent anything like that from happening. Belgian officials say that if they had delayed much longer in cutting the Congo loose, the ugly rioting that began in Leopoldville last winter would have fanned hostility to the point where every Belgian tie would be cut and every Belgian asset seized. That would have been close to disaster for companies long based there. **END**



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Crisis Perils U.S.-Japan Links

● **Anti-American demonstrations and cancellation of the President's visit put a severe strain on both diplomatic and economic relations.**

● **Much of what happens will depend on what kind of government follows the Kishi regime.**

● **Meantime, Socialists and conservatives are massing forces for the election expected this summer.**

Japan at midweek remained in political crisis. Students and leftwingers—unopposed by police—continued demonstrations through Tokyo's streets to celebrate their victory in forcing the cancellation of Pres. Eisenhower's visit (BW—Jun. 18 '60, p. 27).

The demonstrators also repeated yells for Prime Minister Kishi's political head, and Socialists and labor unions called a strike to back up their demands. Kishi's government is hanging on but is not expected to last long.

Kishi has vowed to stay in office until the process of ratifying the U.S.-Japanese mutual security treaty is complete.

• **Diplomatic Strain**—Even after this happens, the future of U.S. diplomatic relations with Japan is not clear (page 184). The withdrawal of the invitation to Eisenhower, coming as it did, obviously hurt the U.S.-Japanese alliance.

The most immediate strain is doubt about the willingness and ability of the Japanese government to fulfill the conditions of the treaty. It calls for retention of U.S. bases in Japan—to be used in consultation with Japanese officials—which Washington officials consider vital to the U.S. policy of containing the Communist nations and deterring them from war.

In Washington at midweek, officials privately hoped that the damage would be limited and of short duration. They argue that Japan has no practical alternative to the moderately conservative government that has been in power since World War II, nor to the continued alliance with the U.S.

• **Opposing Forces**—Much depends on what sort of government comes to power after Kishi leaves office. The neutralist and pacifist currents from which the present maelstrom eddies are deep and strong. Very few families in Japan were not affected by the war's devastation. The Socialists are trying to capitalize on this to increase their political power. The Communists also have skillfully exploited these sentiments.

Against this are powerful conservative elements—a literate rural population and

the business community—that are largely pro-U.S. The farmers were freed from the traditional tenant farming by the postwar Occupation's land reform program. The businessmen have built Japan's present prosperity in good part on trade with the U.S.

Thus, Washington officials believe that when elections are held in the near future, the conservative majority will be returned to office and Japan's domestic and foreign policies will be basically unchanged.

Two candidates hold the lead at the moment. Best bet is Minister of Trade & Industry Hivato Ikeda, a former bureaucrat who believes strongly in ties with the U.S. The other is Mitsujiro Ishii, now chairman of the conservative party, the Liberal Democrats.

• **Straws in the Wind**—There is some thought, in Japan, that there might be a small shift to the right. BUSINESS WEEK's Tokyo correspondent this week reports, "There are already signs that the Socialists have overplayed their hand, just as in 1952, when the Communist Party went on an all-out rampage and later suffered the defeat of their candidates for the Diet. Most Japanese are ashamed that, like a banana republic, they couldn't guarantee Eisenhower's security. The conservative population has just sat back and watched the student-Socialist-Communist show as they would theatricals. But they have had about enough."

Thus, the Socialists may lose some Diet seats—they now hold about one-third of the lower house—to a new rightwing party led by Suchiro Nishio. He has opposed the treaty because it does not include enough concessions to Japan. But he is a dedicated anti-Communist and believes that so long as the Moscow-Peking alliance holds, Tokyo has no choice but its alliance with Washington.

• **Shift Toward Neutralism**—You may also see both a shift to the right and a gradual move toward neutralism. The neutralists are not confined to the leftwingers. Some businessmen would like to see Japan maintain its trade with the

U. S. and also to open up what they consider the lucrative Communist China market. Moreover, Japan has a strong tradition for authoritarian government and isolation. From 1637 until Commodore Perry sailed his black ships into Tokyo Harbor in 1854, Japan was ruled by daimyo lords and their samurai warriors and the country was almost completely closed to foreigners.

Most observers in Washington and Tokyo say that a coup from either the left or the right is not likely at this point. The police and the relatively small armed forces are loyal to the government—and either the Communists or the neo-Fascists would have to gain control of the army and police to grab power.

Many Americans have wondered why the police have been so gentle with the rioters, who have hurled stones and attacked them with fists and clubs. Deep in the memory of all Japanese over the age of 30—and passed on to their children—is the image of the Kempeitai, Japan's infamous strong-arm police of the 1930s, which put the Japanese through several reigns of terror. The postwar police force has been severely restricted in law and training to prevent a recurrence of the abuse of power.

• **Economic Slowdown**—U.S.-Japanese diplomatic relations are not the only victims of the current situation. Economic relations have begun to suffer. Observers in Tokyo say the political situation threatens to slow down the Japanese government's plans to open Japan further for imports and investment.

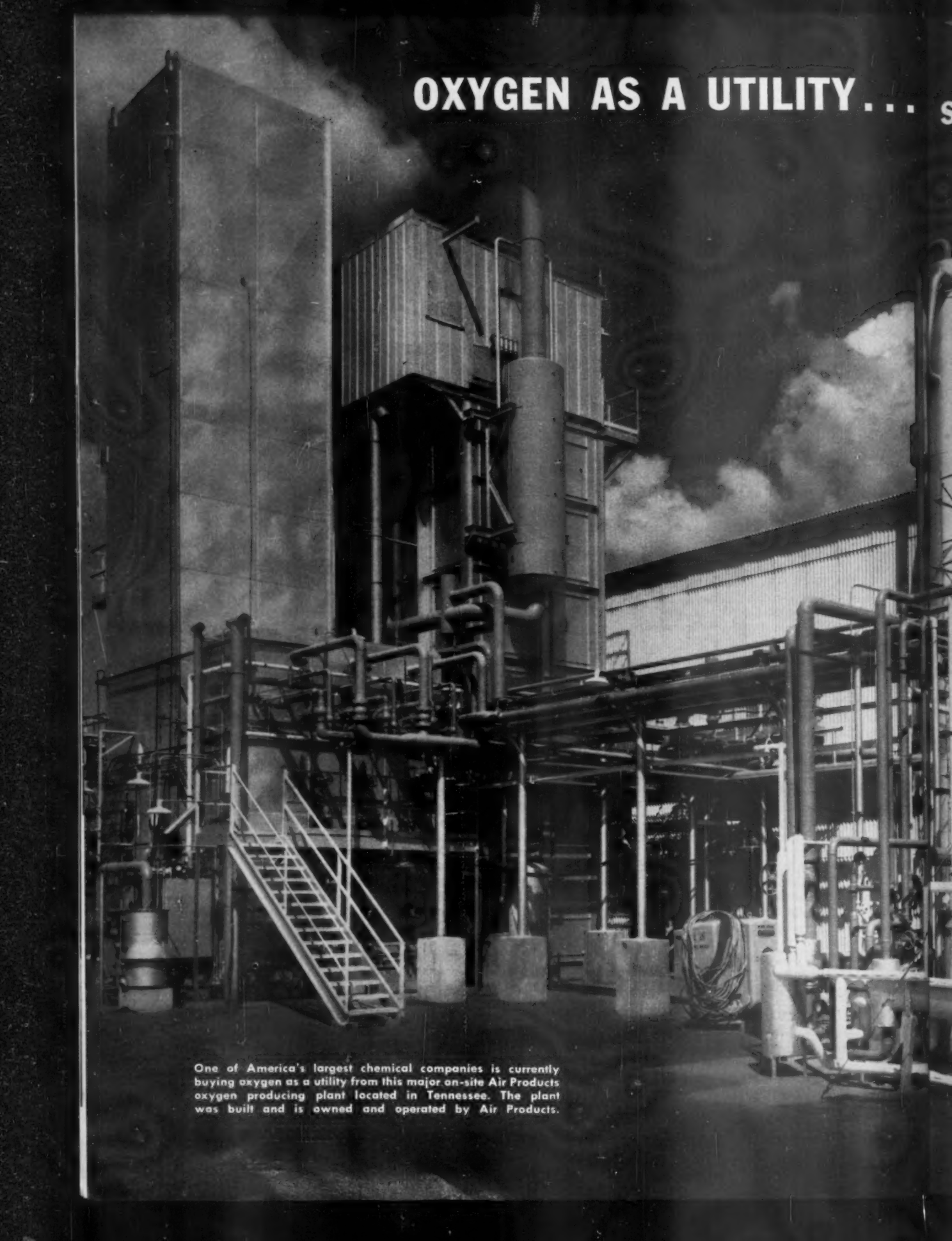
During the postwar recovery period, imports have been restricted to conserve foreign exchange, and investments limited to permit Japanese industry to recover. In the past year, Western governments have been urging Japan to relax the restrictions.

The Socialists will argue against this, saying it is but another example of Western capitalist imperialism. They may be joined, quietly, by protectionists in Japanese industry.

• **U.S. Boycotts**—Most Japanese businessmen are much more worried over the small but growing boycott of Japanese goods in the U.S. (page 27). The U.S. is Japan's largest customer. Last week, a California congressman proposed that Americans protest the "insult" to Eisenhower by not buying Japanese items until the Fourth of July.

Koichiro Asakai, Japanese Ambassador to Washington this week acknowledged the possibility of such reactions. He feared the uproar would send U.S.-Japanese relations "back to 'Remember Pearl Harbor'." **END**

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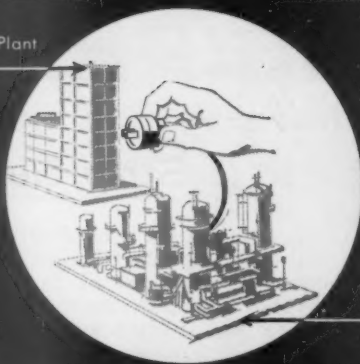
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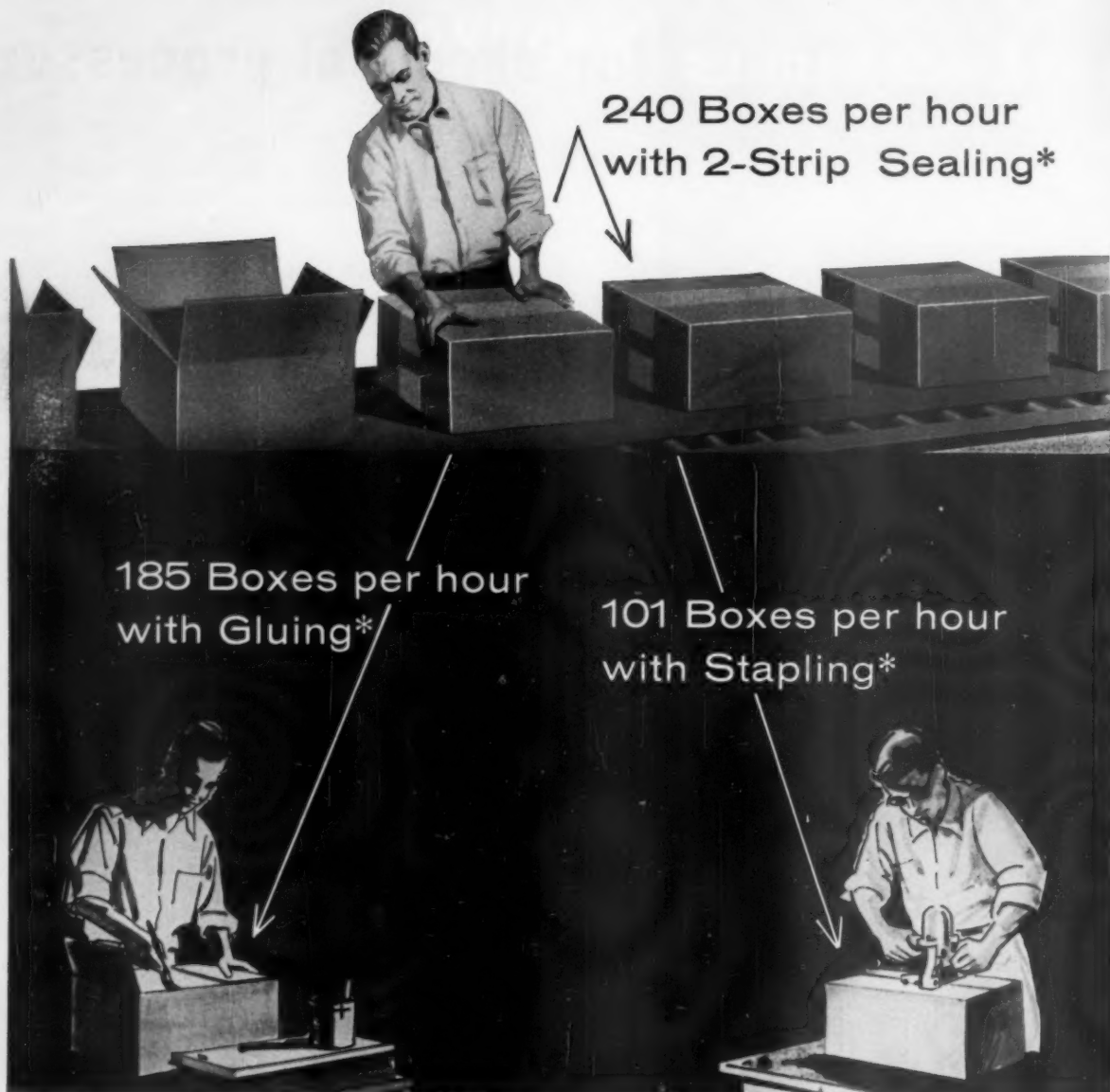
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In 1927, John G. Sobieski achieved a measure of intercollegiate athletic prominence by pitching a no-hitter for the Stanford University baseball team—and losing the game (on team errors) to UCLA. Today there are men in the investment fraternity who fervently hope his luck hasn't improved. They'd love to see him sent to the showers.

Sobieski, 53, is California's controversial commissioner of corporations. For the past 18 months this Democratic appointee in California's first Democratic administration in 20 years has been stirring up a brew of "corporate democracy" and "responsible liberalism" that arouses the apprehensions of investment bankers and corporate attorneys from Wall St. to San Francisco's Montgomery St.

For 40 years before Gov. Edmund G. Brown appointed him head of the Div. of Corporations, California had the reputation as the toughest state in the union in its regulation of securities transactions. The new commissioner has done nothing to tarnish that reputation.

- **Quick Action**—Sobieski had hardly planted his feet under the desk before he tossed his first bomb. He said that corporations that do not permit cumulative voting in the election of directors, as required of California corporations for 80 years, lack an essential ingredient of democracy.

The commissioner proposed to do something about this. With the extraordinary powers of his office he fashioned a set of proposed rules that, among other things, would disqualify for sale in California any common stocks that do not permit cumulative voting; and he scheduled public hearings on the subject (BW—Mar.21'59,p31).

- **Wide Impact**—To appreciate the impact on Wall St., you have to remember two things: First, somewhat fewer than one-third of the common stocks traded on the New York Stock Exchange permit a shareholder to pyramid all his votes for one director. Second, California is, next to New York, the richest securities market in the U.S. According to the exchange, New York has 15.5%, California 11.9 of all U.S. shareowners.

What Sobieski was saying, in other words, was that two-thirds of the most prominent common stocks available would be denied access to the second richest market in the country unless the issuers capitulated on cumulative voting.

- **Milder Medicine**—After public hear-



JOHN SOBIESKI heads California's Div. of Corporations, which guards investors' welfare, with a zeal that has stirred the financial community but won him shareholder acclaim.

ings erupted a storm of protest, the commissioner decided last fall that his medicine was too strong. Instead, he ruled that henceforth the division would bestow an official frown upon, but not necessarily reject, the sale and issue of common shares that lack cumulative voting rights. To qualify for a California permit, however, he directed that the prospectus for such shares disclose their lack in quite specific language. And he twisted the knife by adding this catchall dictum:

"Appropriate disclosure shall also be required of any other corporate practices which deny or discourage proper stockholder participation in corporate affairs."

• **Strong Views**—Clearly Sobieski does not give up easily. His stand on cumulative voting is only one of a multitude of official acts that have stirred a widening segment of the financial community. Lately, for instance, he has earned the wrath of the mutual fund industry for his steadfast upholding of the state's disapproval of the sale of "front-end" contractual plans; Sobieski believes no investor should have to risk a sacrifice of his principal if he has to drop out of his contract. Sobieski also tends to think that a brokerage firm that sponsors a mutual fund might be influenced to churn its portfolio more often than necessary just to get brokerage commissions. And he has under advisement whether to ban the sale of such fund shares in his state.

On the other hand, he has also slashed some of the red tape that binds California's vigilance over the welfare of investors and is trying to cut more.

A good example of how Sobieski thinks and operates was his handling last year of the Westates Petroleum Co. case.

• **Shareholder Complaints**—Late last fall, Sobieski received complaints from shareholders of Westates against a proposed merger of the oil company—a Delaware corporation whose producing properties and principal place of business were in California—with Bandini Petroleum Co., Canadian Western Oil Co., and Viking Kinsella Gas Co.

The four were to be merged into a new Delaware corporation known as Western States Petroleum Co., Inc., with the securities of the new corporation to be issued in exchange for all existing securities. Sobieski was annoyed because the new corporation had not applied for a California permit to issue the new securities, although 66% of the new preferred and 27% of the new common would be issued to Californians.

Challenged by Sobieski on this point, the corporation took the position that the issuance of new securities did not constitute a "sale" under the California Corporations Code, and, therefore, did

not require a permit. The management and directors, moreover, argued that if they applied for a permit, hearings, rebuttals, and the examiner's decision would take months. This, they said, would rob the merger of the market advantage of immediate action. So they proceeded with merger preliminaries.

Before the management could complete the merger, however, Sobieski issued a desist and refrain order in the absence of a permit and set a hearing in San Francisco on Dec. 4. Sobieski personally conducted the hearing, which lasted the whole day; the management participated without conceding that it needed a permit.

Over the weekend, Sobieski drafted his decision, which he submitted on Monday to his staff for comment. On Tuesday, Dec. 8, he issued his final order, granting a permit for the issuance of securities.

• **The Purpose**—The point Sobieski says he was making was the establishment of California's jurisdiction over mergers involving exchange of stocks held by California shareholders. He also demonstrated that such proceedings need not be so time-consuming that they jeopardize the stock market advantages of a merger.

• **Dedicated Capitalist**—Contrary to the Wall St. impression of Sobieski as a hot-eyed zealot determined to impose social manacles on the securities business, he gives utterance to a philosophy that would be at home in the most impeccable Republican circles.

"I'm very much interested in the survival of the capitalistic system," he says. "It's the only system that assures the kind of efficiency that's necessary for the proper management of a modern business. And it's my conviction that most companies are well managed."

It's no accident that John Gilhousen Sobieski developed such a philosophy. At 17, he invested the first dollars he earned—at manual labor—in the 6% preferred stock of Pacific Southwest Building Co. He financed himself through Stanford's undergraduate and law schools, plus a year at Harvard Law, on his investments and on such wages as he could scratch up by delivering newspapers, gardening, tutoring, and jerking sodas. He stopped securities trading when he took his state job, but there is evidence in his comfortable mode of life that his investment record and his law practice returned bountiful rewards. His \$15,570 salary as a public servant wouldn't pay the tax on the income he earned in private life.

• **Distinguished Ancestors**—Sobieski has a royal background. He is a descendant of the 17th Century statesman, John Sobieski, who was elected King John III of Poland and engraved his record in history by routing the Turks near Vienna in 1683.

As a child in Los Angeles, the corporation commissioner thrilled to the tales of his grandfather—yet another John Sobieski—who was born in the Sobieski palace in Warsaw and fled to the U.S. when the Russians executed his father for revolutionary activity.

Sobieski notes with some pride that his grandfather, a colonel in the Union Army during the Civil War and a military adventurer in Mexico afterwards, became a member of the Minnesota legislature and was defeated for reelection because he espoused women's suffrage and abolition of capital punishment. The grandfather, a founder of the Prohibition Party, was an intimate of William Jennings Bryan and William C. McAdoo. Sobieski's first job as a law clerk was in McAdoo's Los Angeles office.

• **Early Labors**—Any inference that 20th Century opulence flowed from the Old World nobility of Sobieski's ancestry would be misleading. Born in Los Angeles in 1906, Sobieski had to go to work when he finished high school. To build up a fund toward the law education his mother decreed for him, he worked for a year as a cable splicer's helper with the Southern California Telephone Co., and saved and invested \$1,800.

His athletic prowess at Stanford won him a bid from the old San Francisco Seals professional baseball club, a development that jolted his mother to action. She induced McAdoo to hire her son as a law clerk. Sobieski was, as he puts it, low man on the totem pole in McAdoo's firm for a few years. He practiced behind his own shingle for a time, and had worked six years as an attorney for the Securities & Exchange Commission in San Francisco when the war sidetracked him into Navy air combat intelligence. His private practice after the war was interrupted by another year of Navy duty during the Korean conflict.

He took a flier at politics in 1954, won a Democratic nomination for Congress, but was defeated in the general election.

• **Corporation Lawyer**—Although Sobieski was in general practice, his avocational interest in securities led him more and more into corporate law. He served as counsel to Sears, Roebuck & Co. as well as smaller companies. In proxy fights he has been, at different times, on both the management and insurgent sides.

His stand on cumulative voting springs from a conviction that any corporation, no matter how well managed, will profit from the presence of even a single independent director on the board.

"If all the directors are a friendly club," he says, "the right questions—the embarrassing questions—may never

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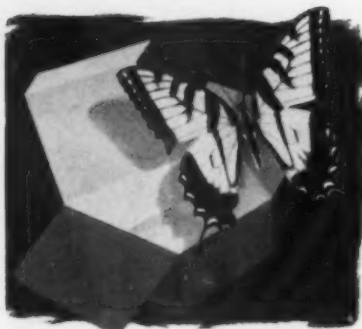


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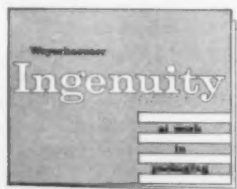
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 Chicago 11, Ill.

be asked of management. With an independent director on the board who isn't shy about asking questions, the company is bound to be stronger."

Sobieski is just as firm in his disapproval of figurehead or prestige directors. If they don't work at it, they should be dumped, he says. He has, in fact, promulgated rules that say almost as much. Last year in a lecture at Los Angeles' Town Hall he said some salty words about inactive directors. A few days later he got word that one member of his audience had resigned six directorships.

Investment bankers regard Sobieski with mixed emotions, and most of them are reluctant, as though in fear of reprisal, to declare themselves in public. "Does the prisoner criticize his jailer?" one of them asked a BUSINESS WEEK reporter.

• **Passionate, but Not Vindictive**—Careful scrutiny of Sobieski and his works reveals no real foundation for their fear. He is not a vindictive man. It's true, of course, that regulation of any kind, no matter how desirable it may be as a matter of public policy, is never popular with the person who is regulated. And California, in vivid contrast to many of the other 49 states, presents a labyrinth of laws and rules governing all aspects of finance. The regulatory web reaches back to the constitution of 1879, but its real complexities took form in the corporate securities law of 1917 and in the tangle of administrative rules that that law has encouraged. Sobieski's critics agree that he wasn't responsible for that honeycomb of laws and regulations. They only wish he wouldn't embrace the enforcement and extension of them with such passion.

Some of his critics also note with approval that the commissioner, over the opposition of some of his own staff, has favored adoption of the widely publicized uniform securities law that would tend to standardize state regulations and eliminate much confusion and detail.

It's worth pointing out, too, that the securities business has flourished in California whether because of or in spite of the tangle of regulations. In 1959, the Pacific Coast Stock Exchange, with branches in San Francisco and Los Angeles, handled just over \$1-billion of securities. In addition, the New York Stock Exchange estimates that about 10% of its volume originates among California investors.

• **Philosophical Discourses**—Probably what most raises the hackles of the investment professionals is the discursive opinions Sobieski writes in support of his administrative orders. In these, as in his conversations, he manages to inject liberal doses of his personal philosophy that often have no judicial

bearing on the issue. In his opinion on cumulative voting, for example, he called upon the works of Joseph Medill and John Stuart Mill to corroborate his stand.

The commissioner quoted Mill as saying in 1861: "It is an essential part of democracy that minorities should be adequately represented." In further explanation of Mill, Sobieski added: "Democracy, it was urged, is a way of life, not limited to formal government, which should pervade our entire society, including corporations."

• **Worrisome Overtones**—That's pure Sobieski—expansive, earnest, solemn, didactic, rambling. Now investment bankers would no more take a stand against democracy than they would profane Motherhood. But to a regulated industry, and more specifically to its attorneys who weigh every syllable for ominous portent, his sentence could be loaded with sinister overtones.

In a report to Gov. Brown last winter about his seizure of a credit union that got into financial trouble, Sobieski said: "Sound business practices require that directors do direct and that rank-and-file stockholders or members must participate properly and not turn over full powers to some alleged Napoleon of Finance. Experience, as illustrated again by this case, shows that when this is done, there is liable to be a Waterloo."

Such excursions into hyperbole by a man in quasi-judicial office do nothing to allay the suspicions of sober-sided men who eat, sleep, drink, and breathe securities. One spokesman for the industry, who asks not to be identified, says that financial men are troubled by the restless drive with which Sobieski leaps from one peak of regulatory authority to another. He keeps them off balance. The spokesman also feels that Sobieski yields too readily to the temptation to arrogate more authority than the law gives him.

• **New Proposal**—A case in point is the commissioner's current proposal to throw a halt to the second trust deed industry that has sired some murky practices in California. His division has no authority over the sale of trust deeds as such. But in the past few years of tight mortgage money, some in the industry have been peddling packaged trust deed certificates and advertising them flamboyantly as yielding "10% secured" earnings. Some investors have been burned badly. The manner of offering persuades Sobieski—and Gov. Brown backs him—that such sales fall within his jurisdiction.

The "10 percenters," by and large, don't welcome his attention, and securities men are incensed because regulation of second trust deed sales will, they say, clothe them with an aura of

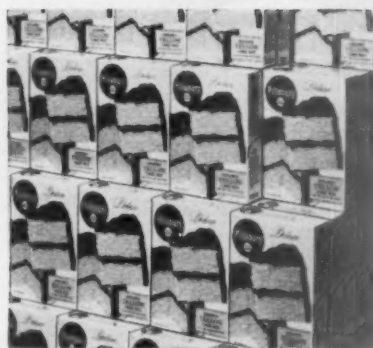
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respectability and legitimacy they don't deserve.

• **Trading Stamp Regulation**—By legislative authority, Sobieski will begin on July 1 to regulate the trading stamp industry in California. Under new law, stamps must be redeemable in cash and the stamp companies must post bond to assure redemption. The commissioner, however, won't decide what form regulation will take until he has accumulated some experience with stamps. It's a good bet, though, that you'll hear wailing when he moves in.

Sobieski takes the criticism in good spirit. He's a husky six ft. and 200 lb., with the hands and shoulders of a line-backer, and he attaches no more personal animosity to criticism than does a tackle who gets clobbered in a power play. He acknowledges—in fact betrays a little pride in the fact—that his three assistant commissioners don't see eye to eye with him on many of his proposed reforms. But they and his outside critics agree that he isn't arbitrary. He holds exhaustive public hearings on every important issue that comes before him, and though he misses no opportunity to say a kind word for "corporate democracy" and "responsible liberalism" in these sessions, he is sympathetic and responsive to any reasonable proposals.

• **Faster Processing**—At the very outset, Sobieski undertook to speed up the flow of permits to sell and issue securities on the ground that a fluctuating market could impose a heavy penalty on the issuer if the application bogged down in bureaucratic lint-picking. He got investment bankers to agree to a 75% increase in filing fees that would permit an expansion in staff to work on the applications. As a result, processing time has been slashed 40% to 50% on the average. On the 20,000 applications that were processed last year the saving in time was considerable.

Sobieski has increased the division's staff from the 195 on hand when he took the job to 372 today. Regulatory officers of other states are in awe of that size. Few states have as many as a dozen people guarding the interests of investors exclusively.

• **"Profitable" Operation**—About 60% of the \$3.2-million revenues and \$1.8-million expenditures that are estimated for the California Div. of Corporations in the fiscal year that ends June 30 are attributable to administration of the state's corporate securities law. In addition, the division oversees nine other laws governing stock-brokers, investment counselors, state-chartered credit union officials, industrial and small loan companies, personal property brokers, and, starting July 1, trading stamp companies. The cash "profit" generated by all this activity goes into the state's general fund. **END**



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CORNING MEANS RESEARCH IN GLASS

CORNING CAN DO ALMOST ANYTHING WITH GLASS



When Government Fights an S&L



RUN ON THE DEPOSITS. Shareholders in the big Long Beach (Calif.) Federal S&L yanked out \$36-million after federal agency seized it for the second time, charging mismanagement. S&L survived; now its fate is up for review. The outcome may have an important bearing on what Congress does about Federal Home Loan Bank Board's powers.

Nearly 15 years of dispute and litigation will reach a climax in Los Angeles next Monday, when an administrative hearing will determine whether a conservator—in effect, a trustee—should be appointed for Long Beach Federal Savings & Loan Assn.

The Federal Home Loan Bank Board, which supervises federally chartered S&Ls, has been in charge since Apr. 22 when it seized Long Beach Federal's \$114-million assets—setting off a \$36-million run on \$96-million in deposits (picture). The Board charged that Long Beach Federal's management was "unsafe and unfit to manage a federal S&L," and its practices "constituted an emergency situation requiring immediate action" to protect shareholder interest.

This is the second time that FHLBB has seized Long Beach Federal. It took over between 1946-48, touching off a string of law suits that still are not settled. But this time the Board's action has caused a wider furor and may bring on a broad inquiry into its operations and authority.

• **Warning**—Rep. Chet Holifield (D-Calif.) voiced a warning during recent Congressional hearings on the Long Beach Federal take-over: "I have never seen a government agency with powers as great. You have the whole industry quaking in its boots that you can step in and take over an S&L on the basis of some conversations. We're going to do something about it—it might not be this year, but there will be a new Congress next year." (Holifield is seeking reelection.)

In this political light, Long Beach Federal's troubles are not to be written off as an individual case in which a big S&L allegedly took the wrong path, without any major repercussions. Unlike most S&L cases, such as the Arizona Savings & Loan Assn. shutdown (BW—Mar.12'60,p55), this does not involve a state-chartered S&L operating in a state where rules are loose.

What's more, the run at Long Beach hasn't spread to other California S&Ls, as first feared. Some S&Ls, seeking to avoid adverse publicity, sent tellers to assist Long Beach Federal in handling its run quickly and smoothly; one S&L president had armored cars filled with \$1-million ready for dispatch if any sign of a run developed at any of his branches.

There has also been little impact on Long Beach Federal's assets. Money to pay off depositors came mostly from the Federal Savings & Loan Insurance Corp.; no mortgages had to be sold.

• **Case History**—Even so, the 14-year controversy between FHLBB and Long

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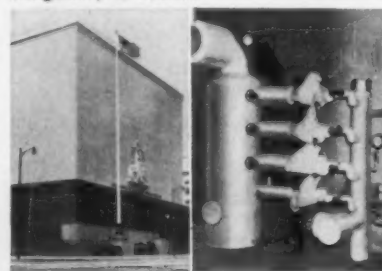
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Noise was literally impeding justice in the Los Angeles County Courthouse, all because of racket in the overhead steam pipes in the judges' chambers.

Burgess-Manning, *The Sound Engineering People*, after running a technical noise survey, designed and constructed a special Type PRS Pressure Regulator Silencer to replace a conventional steam header in the basement of the building. Now there's quiet in the courtroom. At last report, "there wasn't a sound to be heard" and since the noise has been arrested, the case has been dismissed.

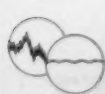
Routine? Well, yes and no. Over the years Burgess-Manning has solved thousands of noise problems like this, but each had its own individual characteristics, which required specialized engineering by experts.

If noise from the intake or discharge of pressure regulators, blowers, turbines, internal combustion engines, gas or steam vent valves, and similar equipment is a problem with you, why not talk to Burgess-Manning. Nowhere in American industry will you find a company better qualified, with more years of experience, and with a more extensive engineering background in noise and pulsation attenuation. Your inquiry will be handled promptly, and there is no obligation, of course.



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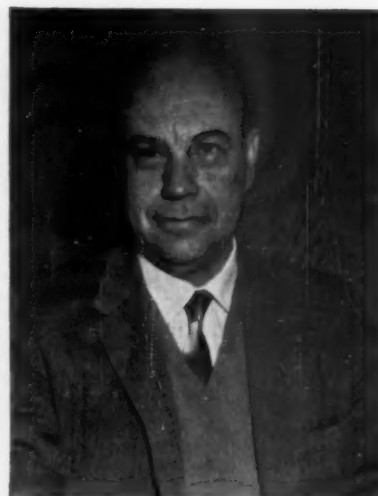
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T. A. GREGORY, ousted S&L president, is fighting federal seizure. The case may bring changes in laws governing S&Ls.

Beach Federal offers an illuminating vignette of a government agency tackling a big financial institution. The S&L was first seized on charges of mismanagement in 1946. After a series of court trials and considerable political pressure, the S&L was returned to its old management. Since then, the S&L and the Board have been in court continuously, making claims and counter-claims. One big point at issue: while the government was in charge, the S&L's assets dwindled from \$30-million to \$12-million.

Long Beach Federal now has suits totaling \$10-million against the Home Loan Bank of San Francisco, charging it with "deliberate, negligent, and conspiratorial acts" when it first seized the S&L. Thomas A. Gregory, its ousted president, (picture) says the present seizure is an attempt to "compromise and wipe out" this litigation. Countering, the San Francisco Federal Home Loan Bank seeks confirmation of foreclosure of \$7-million in government bonds, matured interest coupons, and cash of the association.

Gregory contends that the present seizure also was brought on by his plans to convert the S&L from a federal to a state-chartered institution "where" he says "the federal bureau would then be unable to take reprisals against the association for its attempt to collect for its assets wrongfully seized."

• **Refusal to Talk**—So far, FHLBB has refused to comment on this charge by Gregory. At Congressional hearings this month, called by Rep. John Moss (D-Calif.) FHLBB Chmn. Albert B. Robertson claimed judicial privilege, said any statements on fact would be prejudicial to the coming Los Angeles hearing.

The hearings were called to deter-

mine whether an emergency existed at the time the Board seized control. Gregory, for instance, contends that his organization was solvent when the Board took over—a point that Robertson, under questioning, would neither confirm or deny.

The Board's charges include a bill of particulars claiming, among other things, that the S&L:

- Paid dividends during 1958 and 1959 when its net income and undivided profits were insufficient to make required additions to loss reserves and to pay dividends.

- Announced a 4½% dividend rate although its undivided profits and earnings were insufficient to justify such a policy.

- Lent \$6-million to a home developer, who was already delinquent on other loans.

- Speculated in real estate, through the device of trusts.

Gregory contends these charges have no merit, that others are the "subject of proper court action rather than a precipitous invasion of private rights."

The S&L industry feels that the nub of the matter—from its viewpoint—is whether the Board has overstepped its authority in seizing S&Ls, as it is permitted to do in emergencies.

• **Question of Methods**—The industry is alarmed over what it calls the Board's arbitrary methods. "We do not question its authority of seizure so much as we do its techniques in these matters," says Norman Strunk, executive vice-president of the U. S. Savings & Loan League. One proposal he puts forth is that the Board hold hearings—or get a court order—before a seizure, rather than after it has taken over an S&L.

A. C. Newell, vice-president of the Federal Home Loan Bank of San Francisco, says the Board did not act hurriedly in the seizure. He says that the last two examinations of Long Beach Federal showed "steady financial deterioration and the Board 'had to do something before incurring further loss to the insurance corporation.'"

• **Changes Ahead**—The consensus among S&L officials in the Los Angeles area is that Long Beach Federal will pay its announced dividend June 30. Holfield maneuvered Board officials into a position where they acknowledged that failure to do so could lead to a further run on the S&L.

Beyond this, S&L officials are more reluctant to make predictions. They feel, however, that the Long Beach Federal case provides fresh ammunition to the Board in its campaign to curb spiraling dividend rates paid by S&Ls, and they expect the Board to tighten its rules requiring federally insured S&Ls to give the government advance notice of a dividend boost. **END**

NEW SAVINGS



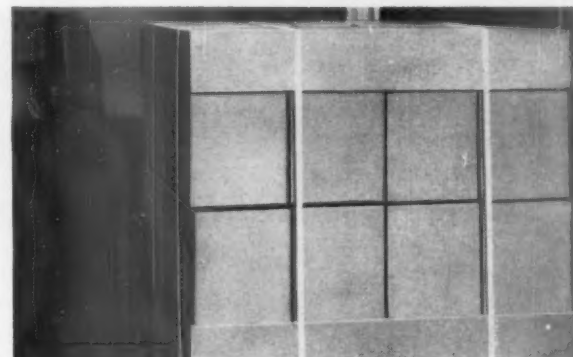
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3 Low cost per package. You invest less per package with AVISTRAP because its initial cost is low. In many instances, corner protectors can be eliminated. AVISTRAP is also extremely safe to handle, won't injure personnel.



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The scene: Edwards Air Force Base, Calif. Crack engineers work 'round the clock to ready the X-15 for its flight to the brink of outer space. Its engine, built by Thiokol in Denville, New Jersey, packs a 400,000 HP punch—more than the power of two giant ocean liners! Because of an accelerated assembly schedule, some parts—like this turbine pump control—are installed right on the flight line. They must be shipped fast, with kid-glove handling. In short, a job for low-cost AIR EXPRESS. Give your business these advantages, too. Call AIR EXPRESS to speed your products **FIRST TO MARKET . . . FIRST TO SELL.**



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In Finance

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Standard Brands Has Trouble Collecting Shares It Bought From Planters

Standard Brands, Inc., which has been seeking to buy small but profitable Planters Nut & Chocolate Co. of Suffolk, Va., has run into a snag. Standard Brands paid \$12-million for 114,345 shares of Planters representing slightly less than 50% of the outstanding stock, and is willing to pay \$105 per share for the balance. That's about \$35 above Planters' recent market price. But a group of trustees has refused to transfer the shares, says the deal is off until other offers are weighed.

Standard Brands bought its shares through Joseph Rocereto of Scranton, Pa., an accountant and management consultant, one of five trustees of several trusts set up by Amedeo Obici, who founded Planters in 1907. Rocereto said he and the Third National Bank & Trust Co. of Scranton, another trustee, favored the deal because it was so attractive. But the other three trustees voted no, want more time to mull over other offers.

Now, Standard Brands has started legal action against Planters in an effort to compel it to transfer the 114,345 shares. And trade people say the company won't let up until it has control of Planters—which netted \$1.7-million in its last fiscal year, or \$7.63 a share.

• • •

Briggs Mfg. Reelects All Directors, With Crane Unable to Vote Its Stock

Acquisition-minded Thomas M. Evans, chairman of Crane Co., suffered a major setback last week. All seven directors of Briggs Mfg. Co., which Crane has been seeking to take over, were reelected at an annual meeting marked by the absence—by court order—of Crane, the largest stockholder.

Crane could not vote its holding of 237,000 of Briggs' 1,078,000 outstanding shares because of a court ruling sustained on appeal. This means it is now locked in with a 21% ownership of Briggs, for which it paid some \$2.3-million. It's a position that Evans hasn't found himself in too often, and Crane is trying hard to extricate itself.

Crane could: (1) attempt to hurdle a court restraint against gaining control of Briggs; (2) retain its stock until a Briggs damage suit against Crane comes to federal court; the court has the power to force Crane to divest itself of the holdings; (3) find a buyer for its shares—either a company or an individual; or (4) distribute its shares to Crane's 12,000 shareholders.

• • •

RCA Says It Is Considering Redemption Of Its 3½% Convertible Debentures

Radio Corp. of America announced last week that it was considering calling its 3½% convertible subordinated

debentures for redemption—and immediately set off speculation that talk of a possible redemption was meant to encourage holders to convert the debentures.

RCA says the redemption is being "actively considered" as a possible means of creating "an expanded base" for company growth, particularly in the field of electronic data processing equipment. RCA has made a big push into electronic computers lately, has introduced two new systems since the beginning of the year.

But if more of the debentures were converted into common stock—stock has been set aside to cover conversion—the company could save interest costs on the debentures, use the funds for new production facilities. About \$85-million in debentures, due in 1980, are estimated to be outstanding of the \$100-million sold five years ago.

By converting at present prices, holders would receive securities worth more than if their debentures were redeemed. The issue provides that each \$100 debenture is convertible into two common shares. If the company redeems the debentures now, the call price would be about 104½. But two shares of RCA common would bring about \$136 at present prices—the stock has dropped about eight points in the last two weeks.

• • •

Cost-Conscious J. I. Case Switches Dealer Premiere From Paris to Hawaii

J. I. Case Co. has switched the site of its 1961 "world premiere" for dealers from Paris to Hawaii. The farm and industrial machinery maker said a shortage of large Parisian hotels and restaurants was the chief reason for the shift, although cost differences—not mentioned in the announcement—may have been a factor. The expensive "world premieres" initiated by former Case Pres. Marc B. Rojzman were given as one reason for his ouster a few months ago (BW—Apr. 30 '60, p. 54).

Pres. William J. Grede, who succeeded Rojzman, says Case may change to a "different sales tool" after the 1961 premiere. Grede also hinted that the stringent economy program he introduced after Rojzman's resignation, coupled with strikes at two Case plants, may mean a deficit for the fiscal year ending Oct. 31. Sales have been reduced both by cutbacks in sales promotion and by the labor troubles.

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Finance Briefs

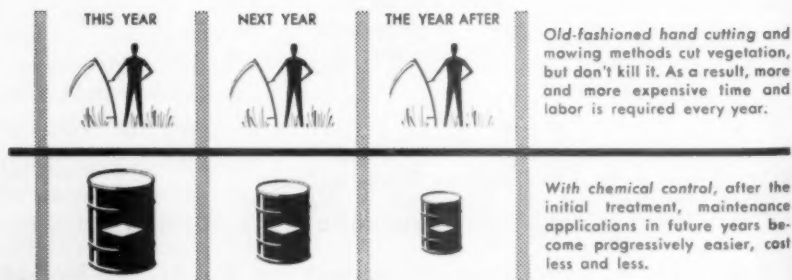
First National City Bank of New York took a big step this week toward suburban banking—which it will be permitted to enter after July 1 under terms of New York's new Omnibus Banking Law. The City Bank acquired 30,000 sq. ft. of unimproved land in Eastchester, N. Y., opposite a number of posh retail stores. The sellers said the bank paid \$150,000 for the property, with an option to buy an additional 10,000 sq. ft.

Studebaker-Packard Corp., whose Lark is trailing all other compact cars in sales, has come up with a plan allowing its shareholders to purchase Studebaker cars and trucks at a \$100 saving during July, August, and September. It's believed to be the first time that an auto maker has offered such a preferential plan.



Why cost-conscious executives insist on

**Chemical
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Along railroads, chemicals contribute to fast, safe service by preventing interference with signal mechanisms or damage to roadbeds caused by weeds and brush. In off-track areas, weed control cuts fire risk.



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Highway shoulders and roadsides overgrown with heavy, mixed brush are a threat to motoring safety. Also, the low cost of regular chemical control represents a budget savings for highway departments; money saved for taxpayers.



Chemical weed and brush control

A carelessly flipped cigarette could turn these weeds into a wall of flames and this storage tank into a blazing inferno. And that's just one of the hazards outside the walls of your plant—hazards you can't afford!

Weeds, grass and brush increase rust and corrosion . . . they make ideal hiding places for destructive rodents (and lost tools!) . . . they result in injuries for workers . . . and present an

unsightly, unkempt appearance to your visitors.

But how do you control costly weeds, grass, and brush without the high cost of the control itself? Many cost-conscious industrial executives are saving half the cost of hit-or-miss manual methods with a planned program of chemical vegetation control. A planned program first takes inventory of the vegetation problem, then pre-

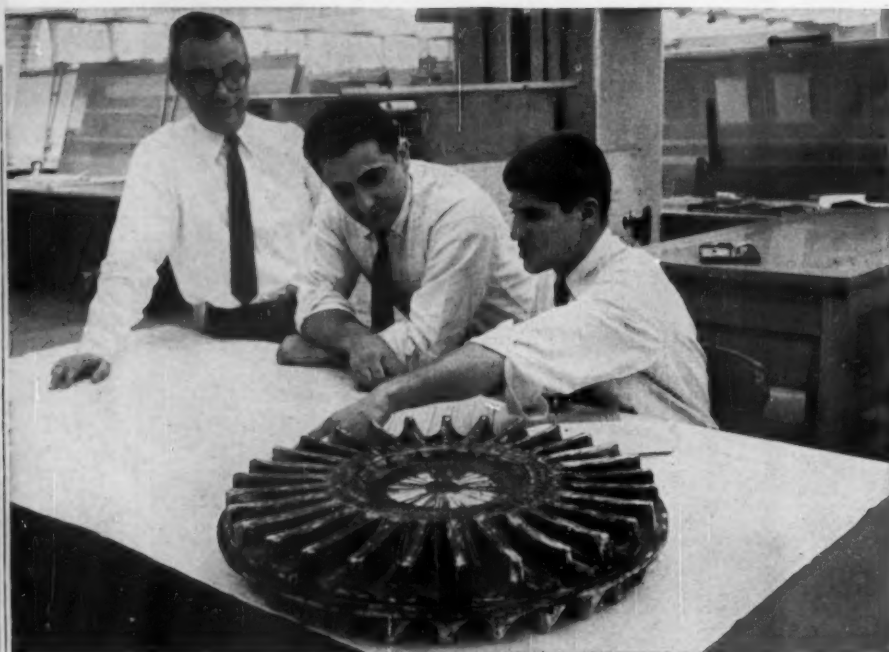
scribes the proper chemical to be applied over a span of years to provide continuous control.

Dow vegetation control experience plus the complete Dow family of chemical weed, grass, and brush killers are at your service. May we work with you? For full information, write: THE DOW CHEMICAL COMPANY, Agricultural Chemicals Sales, Dept. 202AF6-25, Midland, Michigan.

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DOW

PRODUCTION



WYMAN-GORDON engineers check blueprint and 17-page manuscript for programming an automatic milling machine to cut a forging die for the spoked form. Documents were sent to Boeing computer center in Wichita (right) for programming on tape.

Making Complex Dies Is Job for Computers

Most metalworking diemakers would find it hard to believe that the pictures on these pages show steps in a method of making forging-tool dies. The scenes seem to belong more to the business office than the die shop. About the only object a machinist would recognize is the plaster model of a forging (picture above), resting on a blueprint of the forming die that will duplicate its contours in solid titanium.

But diemaking it is, in every picture. And this may become a standard way of making dies someday, especially the more complicated ones. It will take electronic computers, not the conventional diemakers' tools, to produce a complex curved shape in a piece of tool steel by means of a numerically-controlled milling machine operating automatically from a reel of punched tape.

The process of preparing instructions for a diemaking machine looks and is complicated. But it may turn out to be less costly than any other method. Engineers in charge of making the dies at Wyman-Gordon Co.'s big forging plant in North Grafton, Mass., near

Worcester, are confident that it will be.

• **Program Planning**—Here's how Wyman-Gordon uses the process:

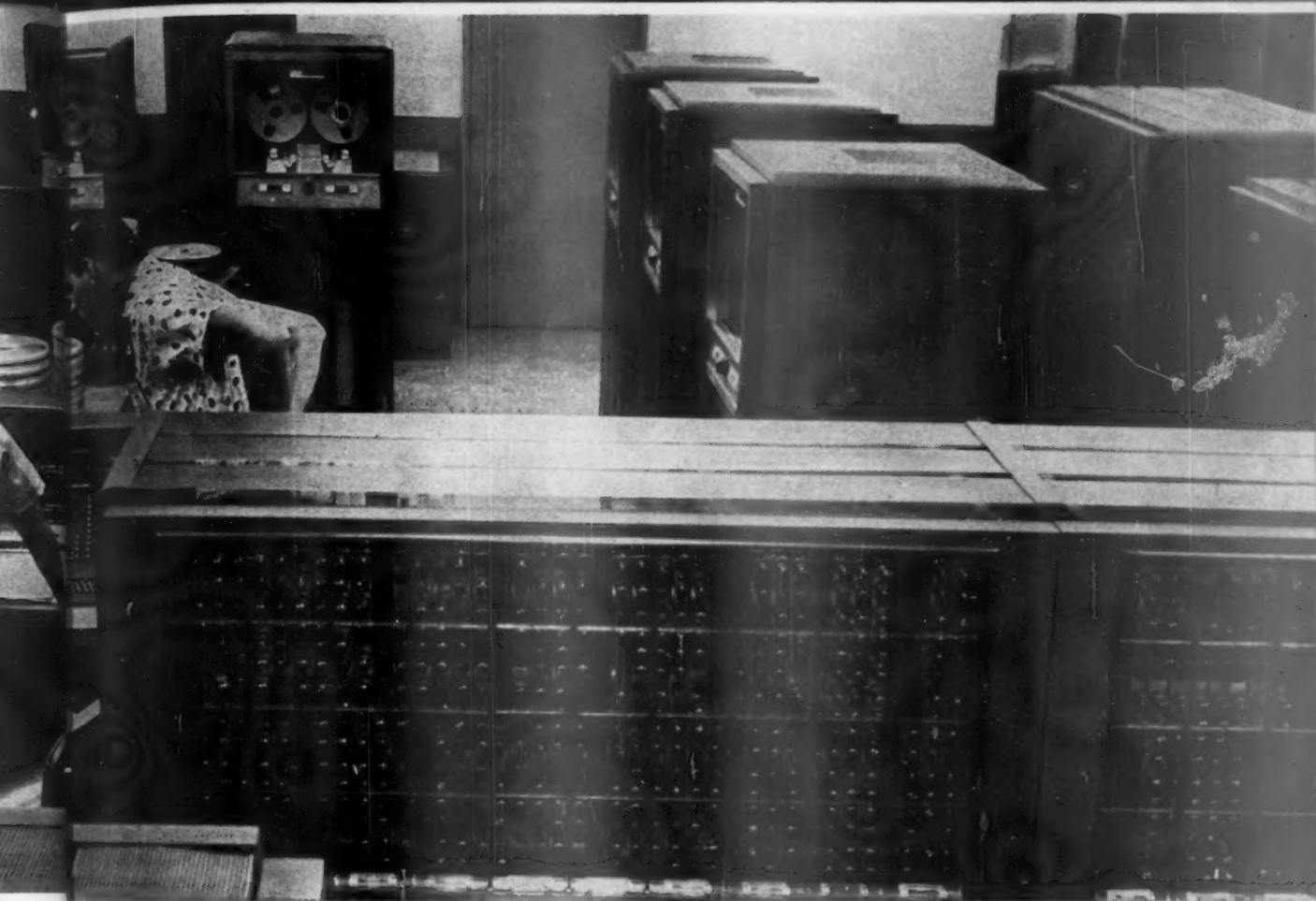
After engineers design the forging die in the ordinary way, a team of engineers who are experts in the operation of numerically-controlled tools goes to work transposing the die's dimensions to a system of three-dimensional coordinates. Points, lines, and curves are defined numerically in relation to a grid of three planes set at right angles to each other.

The three-dimensional shape doesn't emerge on a blueprint but in a manuscript describing locus points and formulas for the curves that make up the part. It may run on for pages (17 pages in the case of the pictured job), yet it is only a general description, nowhere near detailed enough to guide the Bendix control that directs the cutting tool of the milling machine.

To tell the machine precisely how to cut the part, locus points on the curves must at times be as close together as 0.0002 in. To expand the manuscript to such tedious detail would take thousands of man-hours, with the



AT BOEING, engineers study programing sequence, then translate to special WALDO language for the computer.



KEYPUNCH operator transfers description, in **WALDO** talk, to punchcards that are fed to computer (top picture).



INSTRUCTIONS for milling machine, as expanded by computer, are transferred to punched tape that will run the tool.



TRIAL RUN of tool instructions uses pen to mark on plotter the path that the cutting tool will take in actual practice.



BACK AT WYMAN-GORDON, Charles P. Gure, chief production engineer, examines tape just arrived from Boeing. Assistant at left is checking the pattern of tool path against specifications.



TAPE IS INSTALLED in control system of automatic milling machine, where it will translate instructions into millions of 0.0002-in. movements of the cutting tool head.

risk of being so full of errors as to be useless. So that's where the computer comes in.

• **Computer Language**—Wyman-Gordon has no computer large enough for such a job. Even if it did, converting the manuscript into a program for the computer would, by ordinary methods, take nearly as long as calculation by hand from the beginning. Some simple short cuts might bring the job time down to a matter of weeks. But that would still be so costly that several dies could be made by hand methods more cheaply than one could be turned out automatically.

So Wyman-Gordon packed the manuscript off to Boeing Airplane Co.'s new Applied Computing Service, at Boeing's Wichita (Kan.) plant. The service specializes in converting blueprints or numerical manuscripts into tapes to operate machine tools. Boeing's experts have developed a new computer language—the first to offer shortcuts in three-dimensional machining problems—which they call WALDO (Wichita Automatic Linear Data Output).

Using WALDO, Boeing's staff in about five days expanded Wyman-Gordon's manuscript to six tapes containing all the intricate instructions that an automatic cutting tool needs to make the two forging dies that are the end

product of all this effort. Dimensions are translated into shorthand notations that define the path of the cutter.

"Basically, all we do is establish the cutting order and the end points of lines and curves—then the computer fills in the details," says Keith Alexander, chairman of Boeing's Numerical Control Services Group and chief tool engineer at Boeing Wichita. This basic programming is in the hands of highly skilled machinists rather than mathematicians.

• **Deck of Cards**—From the manuscript supplied by Wyman-Gordon, it took keypunch operators about a day to make up a set of IBM cards and to proofread the cards after running them through a printer that turns out a manuscript like the original.

The cards then went to machines that transferred the data to magnetic tape. This tape was fed into one of the two IBM 705 computers at Wichita. In 2½ hours, the 705 expanded the input deck from about 300 line entries (three to five number groups to the line) to 18,000 line entries—from 1,000 or 1,200 groups of numbers to nearly 100,000 groups of numbers. These came from the 705 in the form of punchcards, like those in the original input deck.

The computer also rattled off a 200-page manuscript that specifies the

coordinates of the cutter path, as well as a "delta list," which prescribes the motions and feed rates at all stages of the cutting operation.

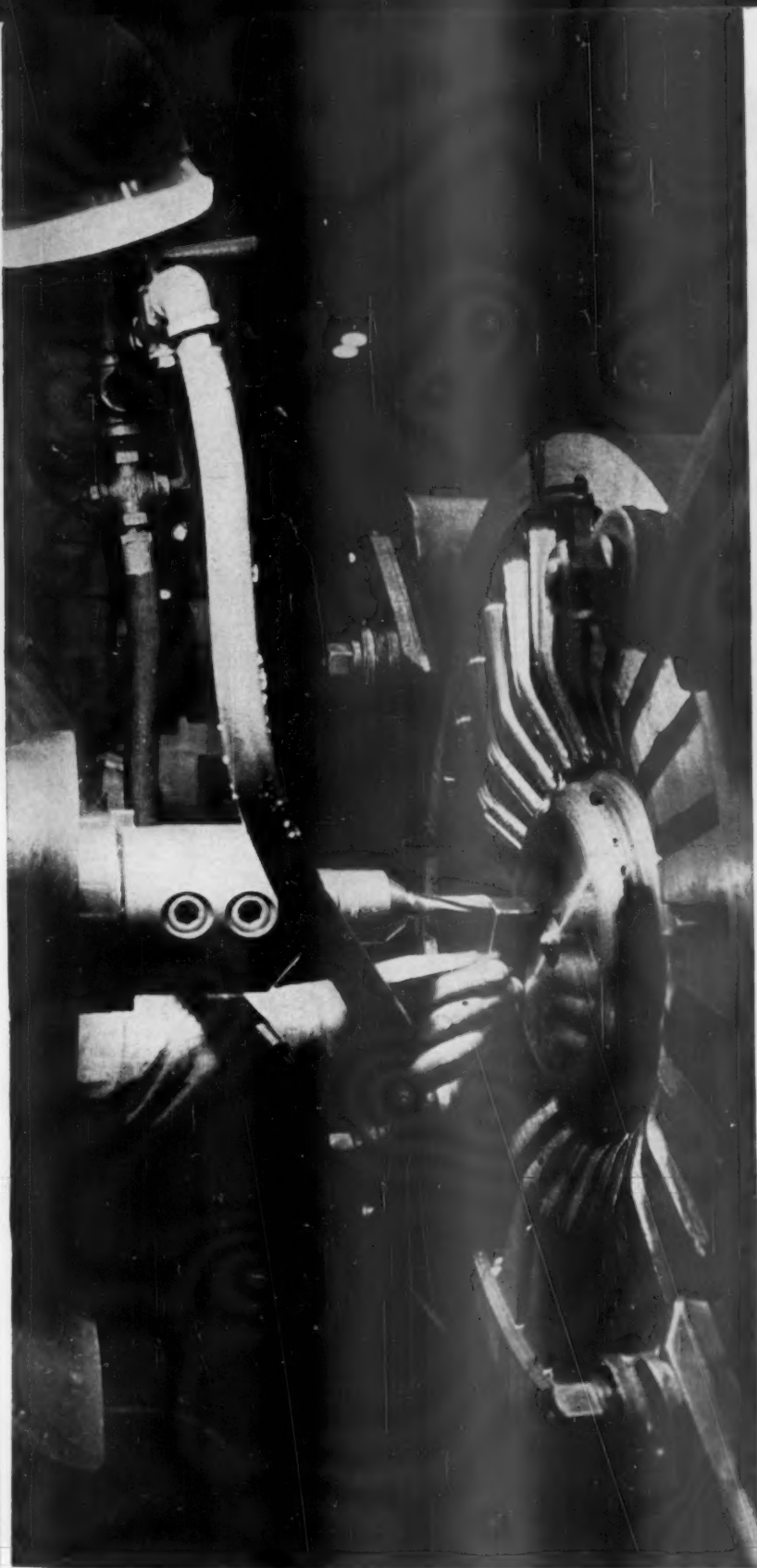
• **Looking for Bloops**—Next came another stage of doublechecking. The punchcards were put through their paces as mechanical guides, only instead of operating a machine tool they ran a ballpoint pen. The pen traced on paper (picture, page 129) the path the milling cutter would follow. In three runs on the plotter the cards directed three separate drawings of the part, one in each dimensional plane.

This check is run not to catch tiny errors but big ones. Most errors detected at this point are easy to spot—misplaced decimal points, extra digits, and the like. There are few errors of a few thousandths of an inch.

• **Back to Wyman-Gordon**—Plotting in the Wyman-Gordon job looked good, so Boeing converted the card data to punched tape, verified it once more, and shipped the six tapes by air express to North Grafton.

There (pictures these pages) the tapes and manuscript got another inspection, and the tapes were then put on the big Kearney & Trecker profile mill. Their first trial in masterminding the cutting of metal was run on mild steel boiler plate.

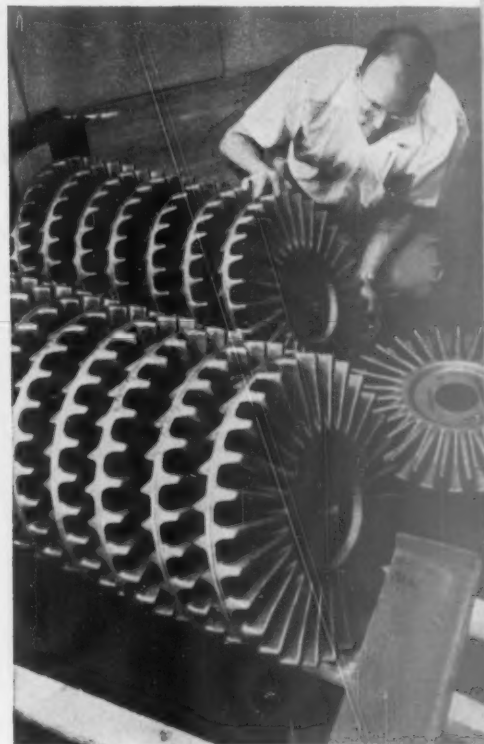
"We expected to—and did—find a few



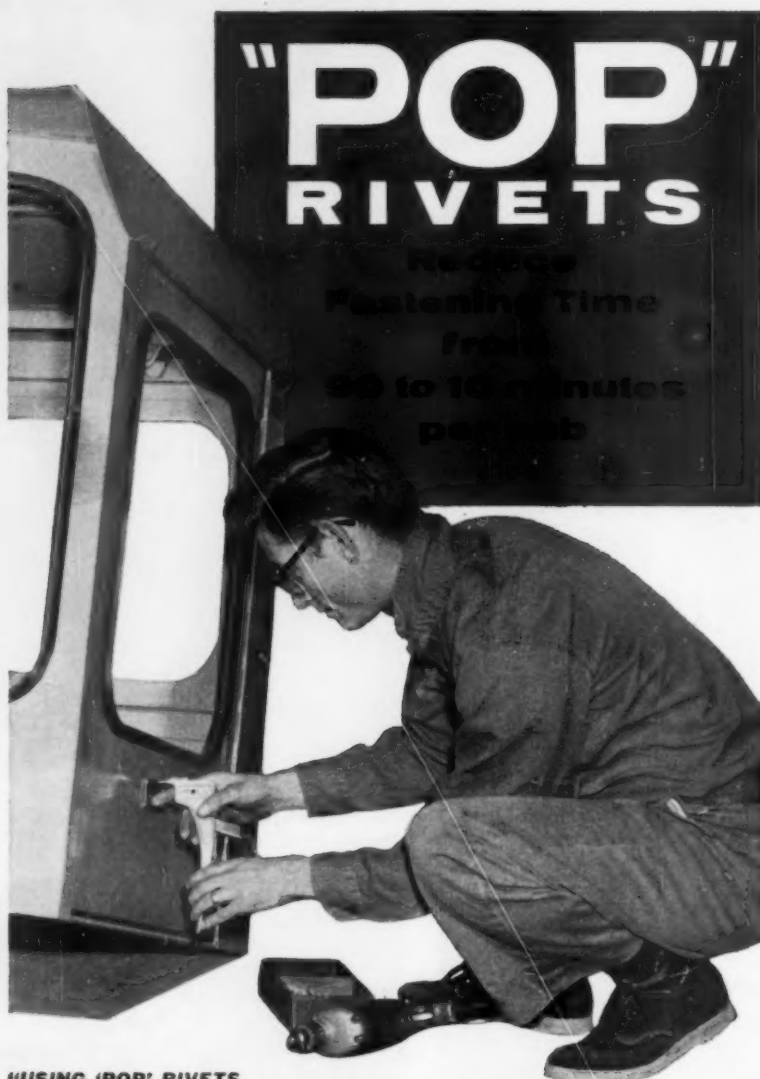
FIRST TEST CUTS by tape-directed tool is made on boiler plate, which is cheap, rather than on expensive high-strength tool steel. So far, cuts seem O.K., but the test must continue through a substantial part of the program to make sure.



DESTINATION of automatically made die is this 18,000-ton forging press that squeezes titanium billets into . . .



FINAL PRODUCT: titanium forgings that will be machined into turbine impeller blades by Pratt & Whitney Aircraft.



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errors," says Charles P. Gure, Wyman-Gordon's chief production engineer. "That's why we use boiler plate first—die steel is expensive."

Less than two weeks of working time after the manuscript and blueprints went to Wichita, Wyman-Gordon's big milling machine was turning out dies.

• **Worth It?**—Making the tape for the milling machine cost Wyman-Gordon about \$3,000. Was it worth it? So far, Wyman-Gordon thinks so.

Once it has been thoroughly checked out in practice, the tape will turn out dies practically on call, and do it faster and more accurately than the best tracers in the shop. It also results in a better surface finish of the die form, cutting down the bench work that is necessary.

This die is part of a continuing program at Wyman-Gordon to experiment with numerical control in diemaking. Its costs will be compared with those of dies made by conventional tracer techniques. In such a comparison, the advantage will lie partly according to how many dies are used.

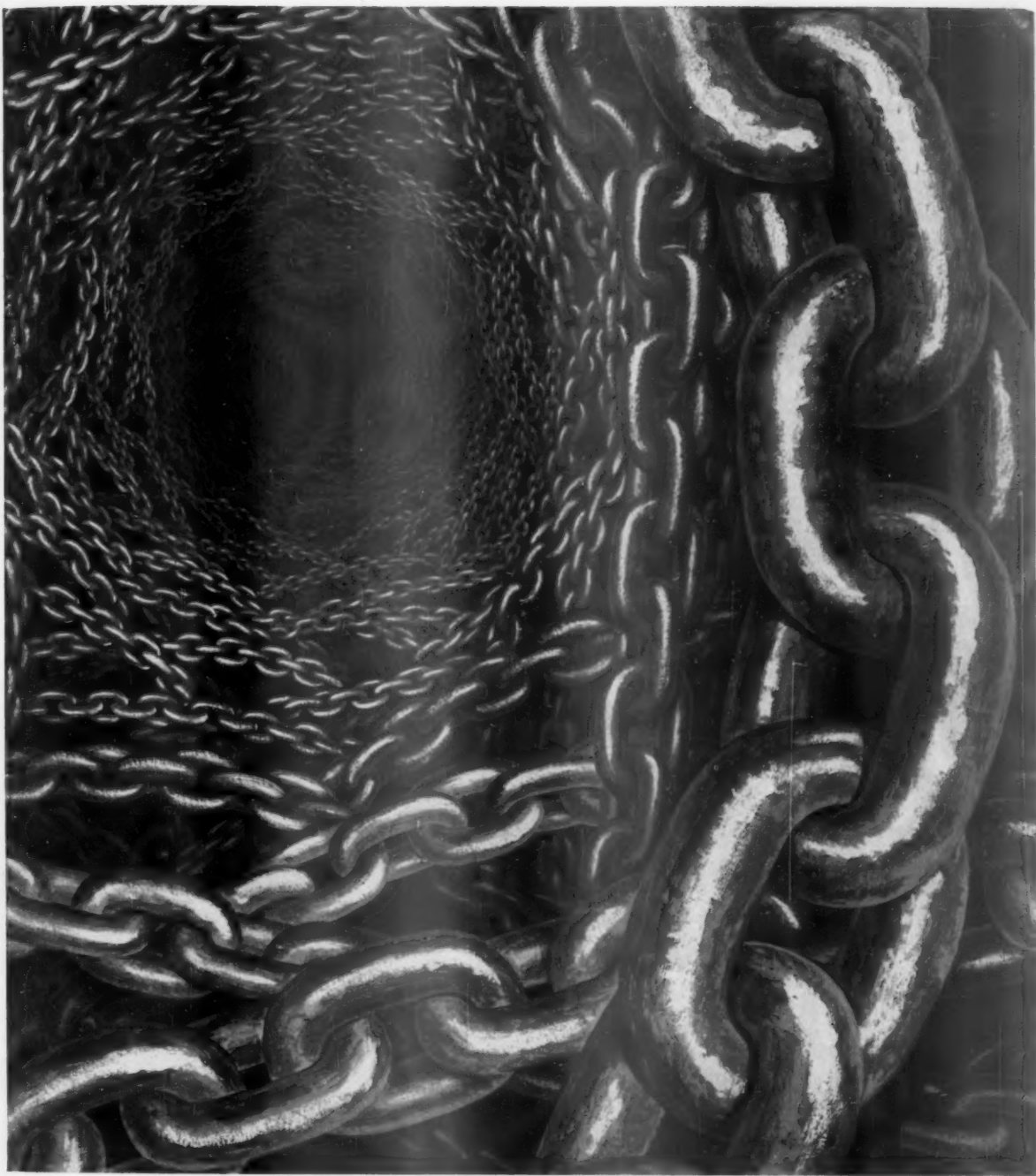
Gure thinks the numerical machine for making dies will probably win out in this case, since the volume of dies will be high. Dies wear out in a hurry when they're working on titanium, as these will be. Boeing's WALDO technique cuts programing costs by about 60%, so numerically-controlled making of dies can, with volume, show a respectable margin over conventional dies, Gure believes.

• **Without Hands**—Boeing's short-cut three-dimensional programing is significant for the whole field of numerically-controlled machine tools, which proved by last year to be without a doubt the most important development in the field in decades (BW—Mar. 14 '59, p. 77).

Numerically-controlled tools run virtually unattended under the direction of punched tape, magnetic tape, or a deck of punchcards. They star in short-run production jobs—a dozen to a few hundred parts to a run—that are uneconomical to do by some other methods. They are flexible, accurate, and fast, and their tapes act as a sort of reserve inventory.

But the most widely used types of tape-controlled tools are not the most talented ones—not by a long shot. More than 90% of all numerical tools in existence are the relatively simple point-to-point machines, rather than the complex contouring machines such as the Kearney & Trecker profiler at North Grafton.

Point-to-point machines cut only in straight lines or simple circles, or they drill and ream at specified points. The controls don't direct the tool in a continuous path but simply raise it and move it to the next point where work is needed. They are relatively easy to



COOL OPERATOR

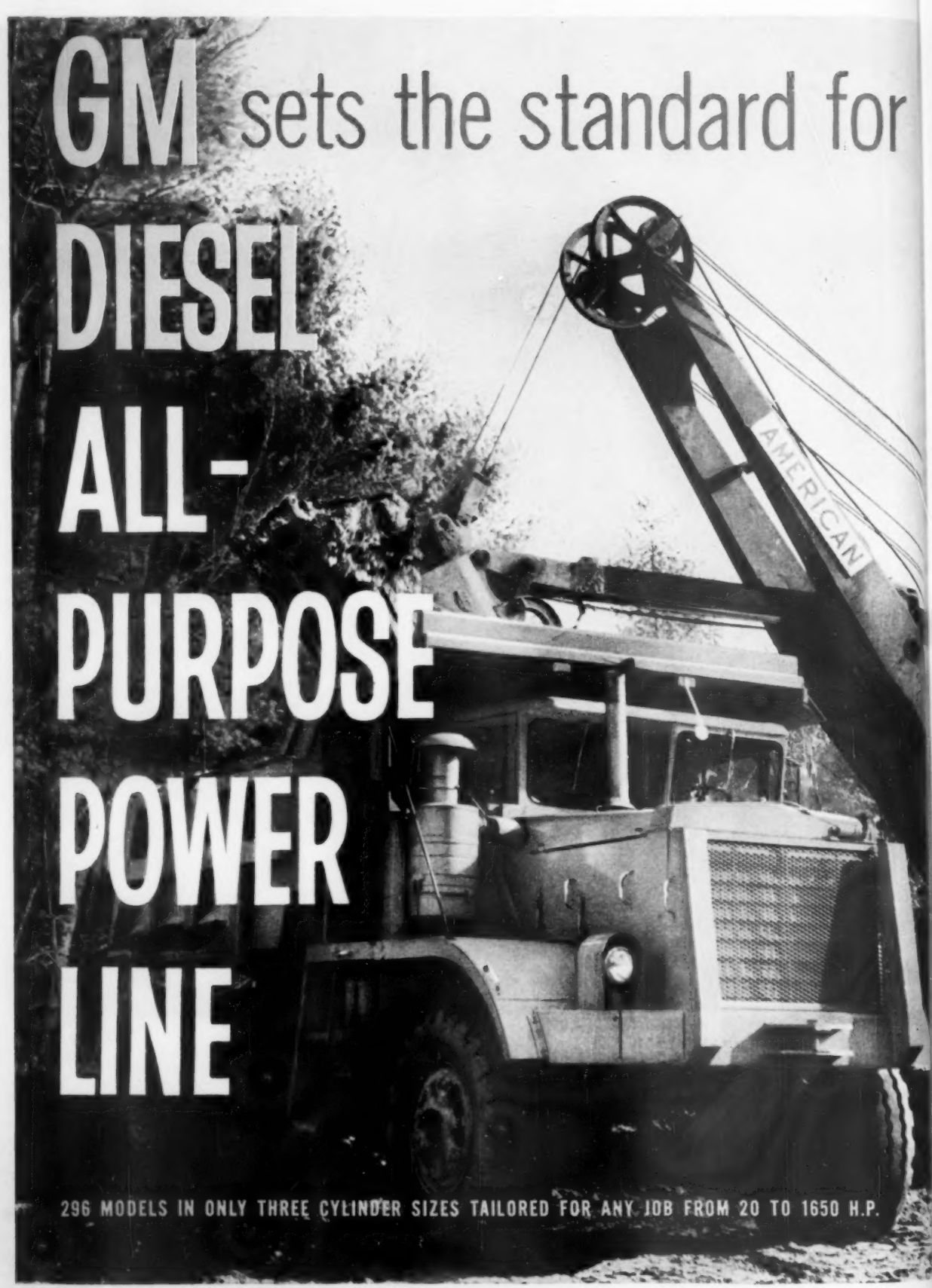
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For instance—the 12-cylinder "V-71" Diesel is 32% lighter and much smaller than one of its leading competitors yet it delivers 54 more horsepower. And it's about two-thirds the size and over 5,000 lbs. lighter than another competitive engine of less horsepower.

Thus, a West Coast contractor could fit "12-V" GM Diesels into his earth haulers—speed operations 50%. Now 10 units do the work equivalent to 15—which means a capital investment saving of almost \$250,000,



38 M.P.H. UP TURNPIKE GRADES—Powered by a "12V-71" Diesel, this 98-foot tandem trailer averages 45 m.p.h. on the Ohio and Indiana Turnpikes, according to owner Cooper-Jarrett, Inc.

based on a unit cost of approximately \$48,000 per hauler.

Tugboat operators see in the "12-V" an opportunity to handle more tonnage, more quickly, with no increase in boat size. And fishermen can get the speed they need for fast runs—

plus extra hold room for bigger catches, too.

Or take the 8-cylinder "V-71" Diesel. Practically the same weight as a well-known 6-cylinder competitive truck Diesel—and over a foot shorter—it delivers up to 70 more horsepower. It can operate at reduced RPM's for top fuel economy—yet has reserve power for faster hill climbing.

No wonder a West Coast livestock hauler makes a trip each day—instead of every other day—since he got an "8V-71." It's a big consideration when you're paying \$37,000 per truck-trailer rig.

Or that a Denver trucker saves 5



34 M.P.H. TOP SPEED—That's what the 50-foot crewboat ROSELYN will do with a full load of fuel and eighteen men aboard. She's powered by a pair of "8V-71" GM Diesels—saves valuable time getting oil men to offshore rigs.



2 UNITS OUTWORK 3—Morrison-Knudsen replaced three loaders, with a pair of Elmcro 126's powered with "6V-71" GM Diesels—reports two loaders outwork the three they replaced.

hours on every round trip to Chicago—a total saving of \$55 per trip.

Or that drilling rigs make more hole per day—owners get faster, cheaper, easier moves—getting more power into—and work out of—their costly drilling equipment.

But we've been talking about "V-71's" alone. Lightweight, compact "6V's" in the GM Diesel 53 Series are big money savers, too.

They let operators of 25,000 GVW-55,000 GCW trucks replace their gasoline engines—cut operating costs 30% to 50%.

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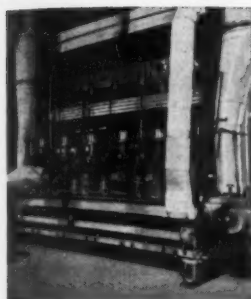
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EMHART

... numerically-controlled continuous-path equipment has more uses than have been given to it ...

(STORY on page 128)

program, and the controls are inexpensive as such equipment goes—from about \$10,000 up.

- **The Cost of Curves**—Contouring machines, on the other hand, are costly and temperamental. Wyman-Gordon's profiler cost more than \$200,000; like most other continuous-path tools now in use, it was built for the Air Force and consigned to its present user. A control system alone costs more than \$80,000, and the high cost of programming, which requires at least a medium-sized computer, has helped until now to hold back progress in this field.

Another deterrent has been the feeling of many metalworking executives that the aircraft industry is about the only manufacturer using contoured parts in enough volume to justify the more expensive kind of numerical control of tools.

However, General Electric Co., one of the leading makers of controls, has found a non-aircraft use for continuous-path equipment. Several of its plants use these tools to turn out rotor blades for steam turbines and other irregularly shaped pieces.

- **Job Opportunities**—In general, industry needs complex-contoured dies for molding and forming in the production of forgings, castings, and sheet metal parts. However, numerical control has two strikes against it in this particular field:

- It isn't often that identical dies are required in large enough numbers to justify the extra cost of numerical control.

- Many of the products are so irregular in shape—a window frame for an automobile, for example—that it would be hard to set up numerical control for making the die. Diemakers find it easier to take the stylist's clay model as the basis for a plaster cast that can be copied on a Keller-type tracing miller.

Nevertheless, there is a growing feeling that numerically-controlled continuous-path equipment has more uses than have been given to it so far, and that it could make production runs possible for pieces that would ordinarily be too expensive to try to make by other methods.

- **Talking Cents**—This can come about only if the cost of programming comes down to allow full advantage of the low cost of getting calculations out of computers. Boeing's WALDO program is a big step in this direction.

Others are working along the same line. MIT and several corporations have collaborated in developing APT,

which stands for "Automatically Programmed Tools" computer language. This program also starts with simple descriptions of shapes and expands them, using big computers, into detailed instructions for running a milling machine.

WALDO has fewer words and doesn't demand quite so sophisticated a knowledge of geometry as APT; it is, therefore, easier for shop-trained men to master. However, APT is more general—an open-ended system that permits an infinite addition of subroutines and shortcuts as participating companies develop them (and they are pledged to contribute them to the system).

APT is still a two-dimensional system; it can't yet produce three-dimensional shapes on command. WALDO, on the other hand, is already operating in three dimensions and rapidly building up its knowhow. Another three-dimensional system is being developed by International Business Machines but isn't ready for operation. GE has developed its own three-dimensional computer routine.

- **Growing Trend**—At Boeing Wichita, which can supply tapes for any sort of tool from the simplest point-to-point model to the most complex contouring machine, 10 two-dimensional jobs are programmed for each three-dimensional one. But Boeing people expect the ratio to shrink.

Keith Alexander sees a strong trend toward ever more complications. After 3-D will come machine tools with five axes instead of three to worry about. Already there are tools that can swivel or tilt their cutting heads, and this is likely someday to be done by numerical control, adding the two new dimensions.

"Numerical control is opening up whole new areas," says Alexander. "We've just begun to move into it."

Gure at Wyman-Gordon agrees. "We've found all sorts of uses for our machine that we never expected," he says. "We even used it for checking dimensions after we had made one big part on it that turned out to be more accurate than the checking fixture we had to measure it. That machine is the most accurate thing in the shop."

Gure says the tool has aroused remarkable enthusiasm among everyone who has had anything to do with it. And he complains that customer conferences sometimes stray far from the subject when tape-controlled machines come into the conversation.

"Everybody wants to swap ideas instead of talk about the job," Gure says. **END**

In Washington

• • •

B&O Canvases Candidates on Campaigning, Gets Favorable Vote on Whistle-Stopping

The traditional way for a U.S. Presidential candidate to be seen by as many people in as many places as possible was by whistle-stopping campaign train. But in the last Presidential race, television and the airplane sidetracked the campaign train.

Now the Baltimore & Ohio RR is touting the return of political barnstorming on the rails.

In its June issue, B&O's house organ records the views of the major candidates on the merits of railroad campaigning and points to the restoration of whistle-stopping to the political scene.

Says Republican candidate Richard M. Nixon: "I happen to believe it is important to discuss the issues with the voters in small communities as well as in the large cities. The campaign train affords an ideal way to reach the small cities in heavily populated states. . . . I intend to use a campaign train."

Democratic contender John F. Kennedy says "From the rear platform of a campaign train there is no chance to use gimmicks to dress up a candidate. The campaign train exposes him as he is."

Two other Democrat aspirants, Senators Stuart Symington and Lyndon B. Johnson, agree with Nixon and Kennedy, suggest that if they're nominated they will take to the rails, too.

Even Sen. Hubert Humphrey, now out of the Presidential race, let the B&O know how he feels: "In this electronic and jet-propelled age, there is no substitute for getting around and meeting people face to face."

• • •

FTC Files Suit to Split Up Union Bag-Camp Paper Corp.

The Federal Trade Commission, which has no authority to block a merger, has filed suit to undo five mergers and acquisitions that helped make Union Bag-Camp Paper Corp., New York, the company it is today. FTC says the mergers may lessen competition or tend to create a monopoly in a variety of paper products in several markets along the East Coast.

Union Bag & Paper Corp. and the Camp Mfg. Co. merged on July 4, 1956. Union's net sales were \$102-million and Camp's \$33-million.

Since that time the company has acquired or gained controlling interest in four other companies: (1) Universal Paper Bag Co., a maker of shipping sacks, in 1958. The company had sales of \$2-million in 1957. (2) Highland Container Co., Jamestown, N. C., in March, 1959 (sales of more than \$3.9-million in 1958). (3) Eastern Box Co., Baltimore, Md., in April, 1959 (sales of more than \$6-million in 1958). (4) Allied Container Corp., Hyde Park, Mass., in January, 1957 (sales of \$7-million in 1956).

The last three make corrugated shipping containers.

The products involved, in one market or another, are grocery bags and sacks, merchandise bags, shipping sack paper, bag paper, shipping sacks, and corrugated shipping containers.

• • •

House Committee Votes Against Funds For Administration's Export Sales Drive

The House Appropriations Committee this week pulled the rug out from under the Administration's new campaign to sell more U.S. goods overseas. In its final report on a special supplemental appropriation, the committee killed a \$4.3-million budget for the White House's export promotion program. About 98% of the sum was to be used for operating expenses and salaries for the current fiscal year.

Next year, the bill goes to the Senate, where the Appropriations Committee may restore the bulk of the funds. If the money is not put back, say Commerce Dept. officials, the export sales drive is dead.

• • •

Senate Extends Excise Taxes, Repeals 4% Dividend Credit

The Senate this week heeded a leadership plea for "fiscal responsibility" and ushered toward the White House a tax extension bill with revenue-increasing features.

The senators knocked down an attempt by insurgents of the Senate Finance Committee to repeal levies on transportation and on telephone and telegraph service. Removal of these 10% taxes would have meant an annual revenue loss of \$752-million to the Treasury.

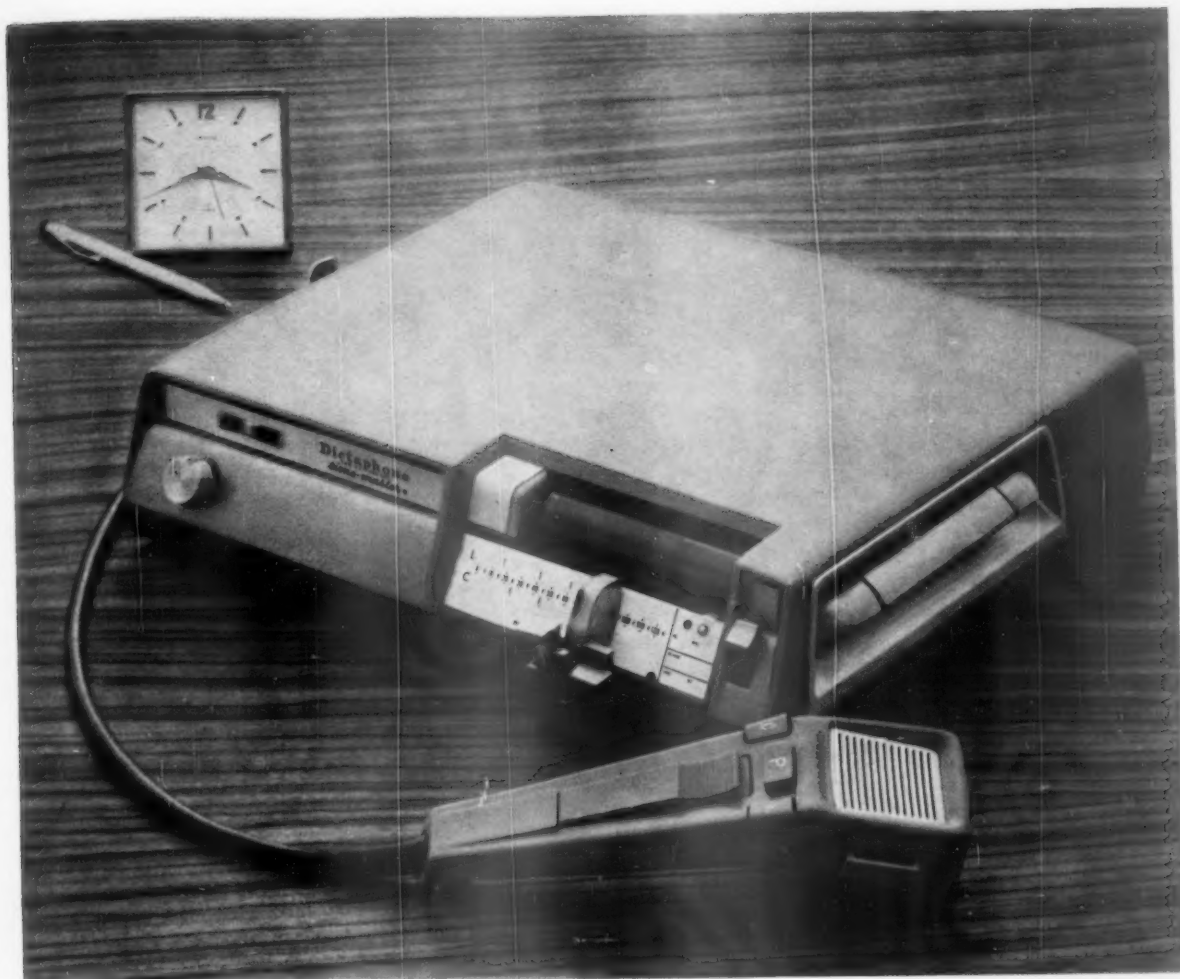
At the same time, the Senate added several amendments to the bill designed to increase federal revenues. These include abolition of the 4% tax credit on stock dividends in excess of \$50, and strenuous curbs on entertainment and gift deductions in computing business expenses. The fate of these amendments is uncertain when the tax bill is taken up by a House-Senate conference.

Another amendment to the tax bill limits mineral depletion allowances to raw products, not finished goods. The legislation was sought by the Administration to tighten up regulation covering clay and other materials. The amendment does not affect oil.

The Senate tax bill also gives the Administration something else it has sought: an increase in the national debt limit from \$285-billion to \$293-billion for one year.

Senate Majority Leader Lyndon Johnson (D-Tex.) and Finance Committee Chmn. Harry Byrd (D-Va.) led the fight to retain the travel and telephone and telegraph taxes.

The Senate bill also guarantees the Treasury a continued \$4-billion a year in revenues by extending for one year the Korean War excises on whiskey, beer, wine, cigarettes, automobiles, and automotive parts. The taxes were scheduled to expire June 30. The 52% corporation income tax also has been extended through fiscal year 1961.



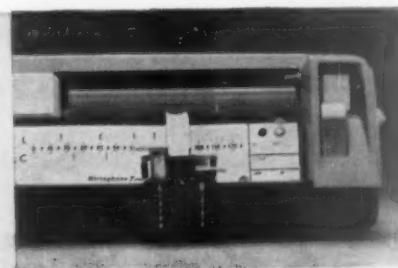
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General Electric range plant meets complex lubrication

GULF MAKES THINGS

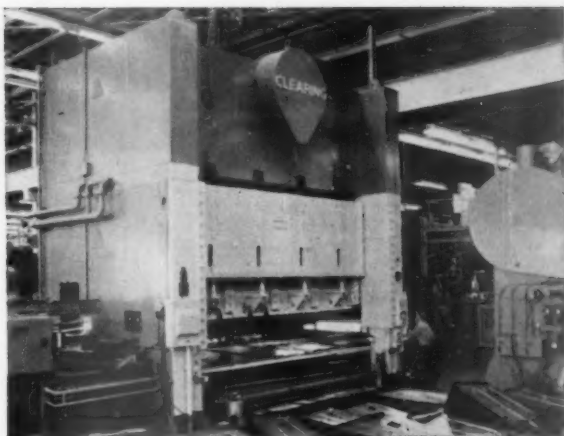
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lubricants from dozens down to a total of only six oils and greases — and helped us set up lubrication schedules that pay off in greater efficiency."

That's the word from W. G. Montgomery, Superintendent of Building, Tools and Equipment in the Range Department of General Electric's Appliance Park near Louisville, Kentucky.

With this simplified lubrication plan, the General Elec-



This 850-ton press in the range plant at GE's Appliance Park, turns out range bodies (flat) at the rate of 300 an hour. Gulf-crown® Grease, a Gulf® E.P. Lubricant and Gulf Harmony® Oil meet all lubrication requirements.



In the oil house, W. C. Watson, left, Superintendent — Shop Operations, Range Department, Earl Straub, Gulf Sales Engineer and W. G. Montgomery, Superintendent of Building, Tools and Equipment, discuss reduction in lubricant inventory made possible by simplified lubrication plan.

Operator tests heating elements on a GE range at last stop on free standing assembly line. More than 1600 of these units are turned out daily at GE's Appliance Park.

demands with six Gulf® lubricants . . .

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tronic range plant not only frees personnel for other work, but reduces both lubricant inventory and purchase costs.

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

JUNE 25, 1960



Peace in Algeria hangs in the balance this week.

For the first time in more than five years of fighting, both French and Algerian Nationalists (FLN) have agreed to talk face-to-face. Yet, despite this promising step, both sides remain far apart on major issues.

Gen. de Gaulle says he is willing to discuss only an "honorable cease-fire" with the rebels, not enter into political talks about Algeria's future. After a cease-fire, FLN leaders would be invited, along with other Algerian interests, to arrange for Algeria's "self-determination" referendum.

FLN leaders, however, say they won't buy this two-step package. They want to discuss both a cease-fire and political conditions for a future referendum at the same time. They don't want to break up their military organization until referendum conditions are settled. In particular, they won't stack their arms until they know what role, if any, the French army will play in the referendum.

Trying to close the gap between these two positions will require some ground-giving on both sides. Some observers wonder whether either side will be capable of making the needed concessions.

Any further compromise on de Gaulle's part could unleash another civil-military revolt against Paris policy. As for possible FLN concessions, rebel sources say they have gone just about as far as they can go.

Thus, if the talks get under way at all, they will be long and difficult.

And failure may mean more than a return to the status quo. Moscow, since the summit collapse, has dropped its earlier support of de Gaulle's Algerian policy, now is openly backing the FLN. Furthermore, Peking is promising additional aid. If the current peace effort flops, the Algerian war may evolve into another symbol of East-West struggle. This, in turn, would cast a cloud over the whole North African political make-up.

—●—

The ideological conflict between Moscow and Peking is sharpening.

Chinese publications have been attacking Premier Khrushchev's co-existence policy with increasing boldness, citing Lenin to prove that war with the West is inevitable. Pravda and other Soviet publications have been shooting back.

Khrushchev this week personally answered the Chinese. In his speech before East European leaders in Bucharest, he insisted that war is not inevitable and that co-existence with the West is imperative. Marx, Engels, and Lenin, he said, must be interpreted in the light of today's conditions.

—●—

The Administration has won the crucial battle over foreign aid.

The turning point came on the House floor when conservative Republicans, traditionally cool to foreign aid, sided with Northern Democrats to rescue the foreign aid bill. With Pres. Eisenhower's foreign policies under attack at home and abroad, the Republicans didn't want to be accused of undercutting them at this time.

The House restored half of \$400-million in military aid cut out by the House Appropriations Committee; it also removed the committee's curbs

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JUNE 25, 1960

on U. S. participation in the Indus River development program for Pakistan and India, and in new programs in Africa.

It now is clear that Congress will appropriate within a few hundred million dollars of the roughly \$4-billion authorized for foreign aid in fiscal year 1961.

With independence just a few days away, the Belgian Congo (page 102) will start life as a nation with two political foes running the country. Patrice Lumumba, a militant nationalist, will be Prime Minister. His opponent, the Lower Congo's moderate Joseph Kasavubu, will be chief of state. This compromise was reached after neither was able to prove he could muster a reliable majority in the National Assembly.

Washington appears relieved by the turn of events. With Lumumba at the helm, chances of bloodshed in the Congo are reduced. Lumumba once said a coalition that excluded him couldn't last two months. With Kasavubu included in the government, the secession-prone provinces of Katanga and Leopoldville probably will stay in line—at least for a while.

The U. S. is continuing to harden its line against Cuba. Diplomatic notes sent to Havana are sharper and pressure to cut, or at least threaten to cut, Cuba's sugar quota is stronger. Secy. of State Herter this week asked for Presidential authority to reduce Cuba's sugar allotment. Key congressmen are beginning to favor the request.

Washington is most unhappy about Cuba's close ties with the Communists. A State Dept. spokesman this week said that Russia has selected Fidel Castro's regime as a model for economic and political penetration of Latin America.

Castro is trying to get Greek shipper Aristotle Onassis to carry Soviet oil to Cuba. Castro wants to take over U. S. and British-owned refineries, but has been stymied, so far. The oil companies and Venezuela have countered by threatening to shut off crude supplies. Russia has plenty of oil to ship—but a shortage of tankers.

Outside Cuba, anti-Castro forces are forming in Mexico City. Cubans once high in Castro's government are drifting in, trying to unite anti-Castro splinter movements. The new revolutionaries are staying away from the U. S.—they don't want to be tagged as tools of the U. S.

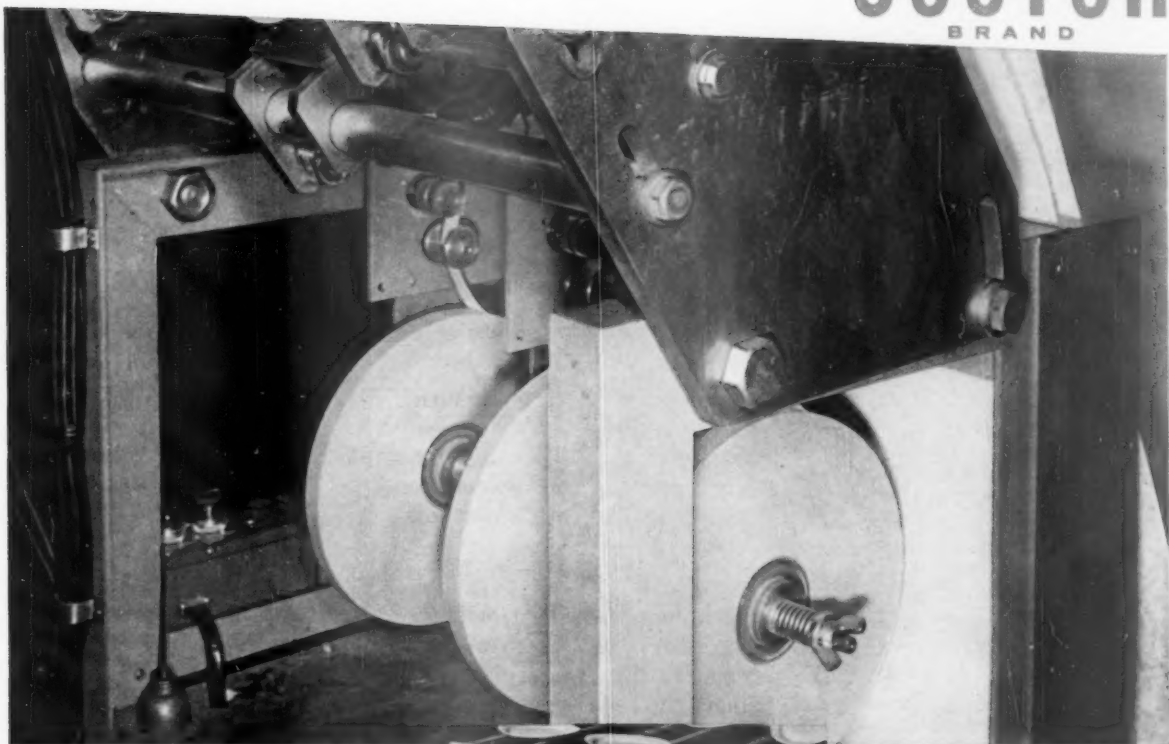
Britain's Labor Party, long in decline, may be on the brink of disintegration.

The party's leftwing is trying to topple Hugh Gaitskell—a "moderate"—from party leadership. Gathering strength, the leftist campaign is a serious threat to Gaitskell.

Gaitskell might save himself with verbal concessions. But if he is defeated at the party conference in the fall, chances are that the British Labor Party will fall apart. That's because the split is more a conflict of principles—all-out Socialist pacifism vs. moderate "gradualism"—than of personalities. In fact, with Aneurin Bevan inactive, there are no other leaders in sight.

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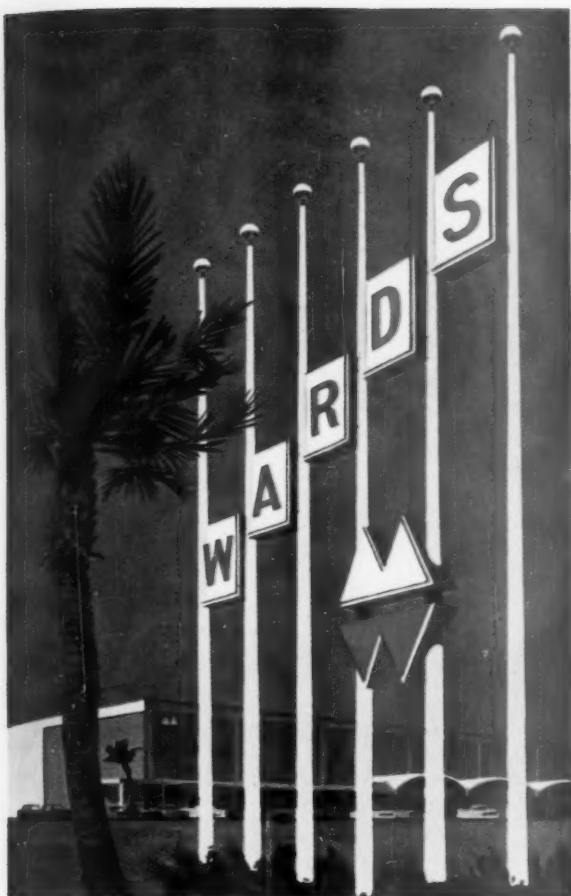


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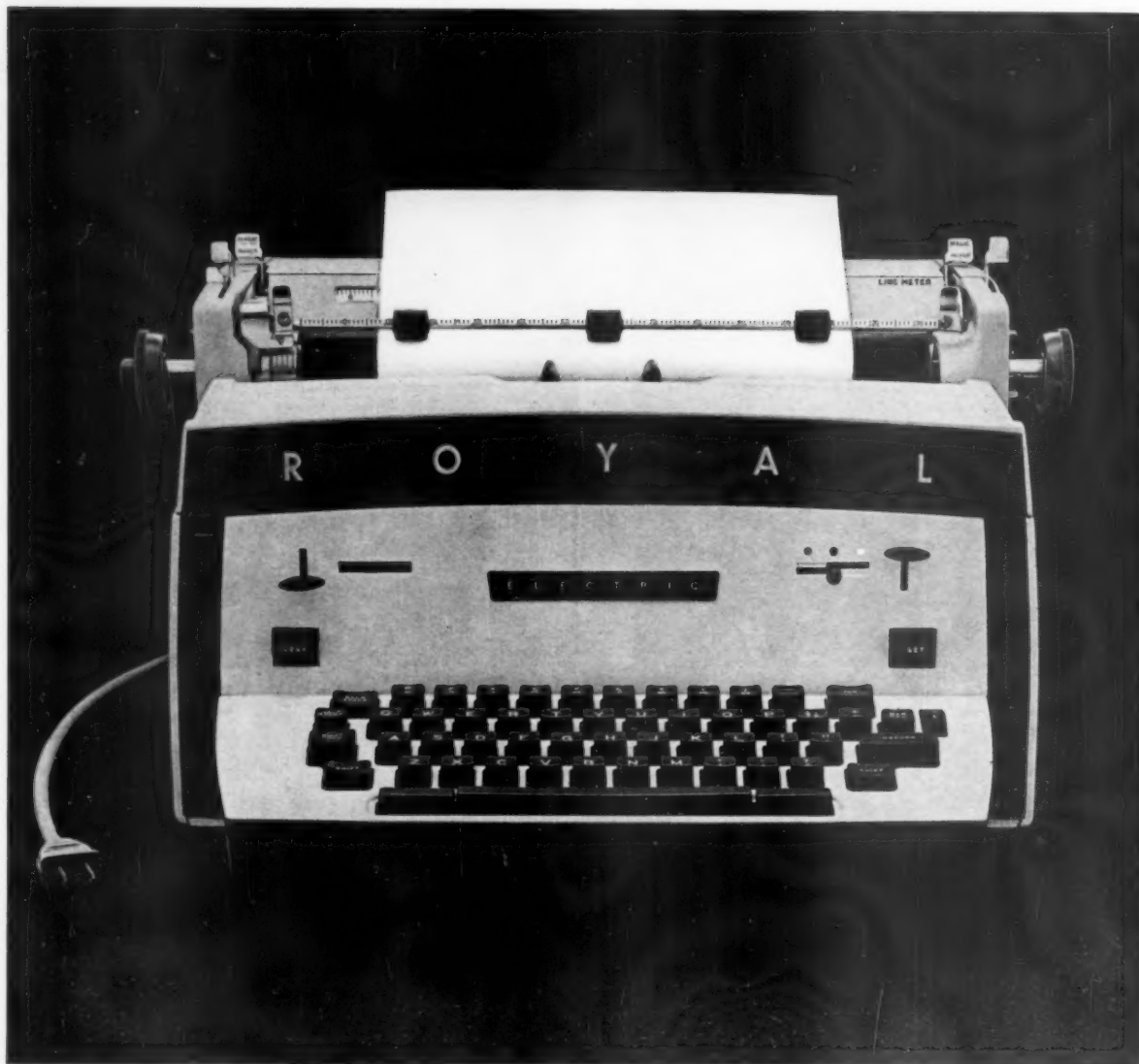
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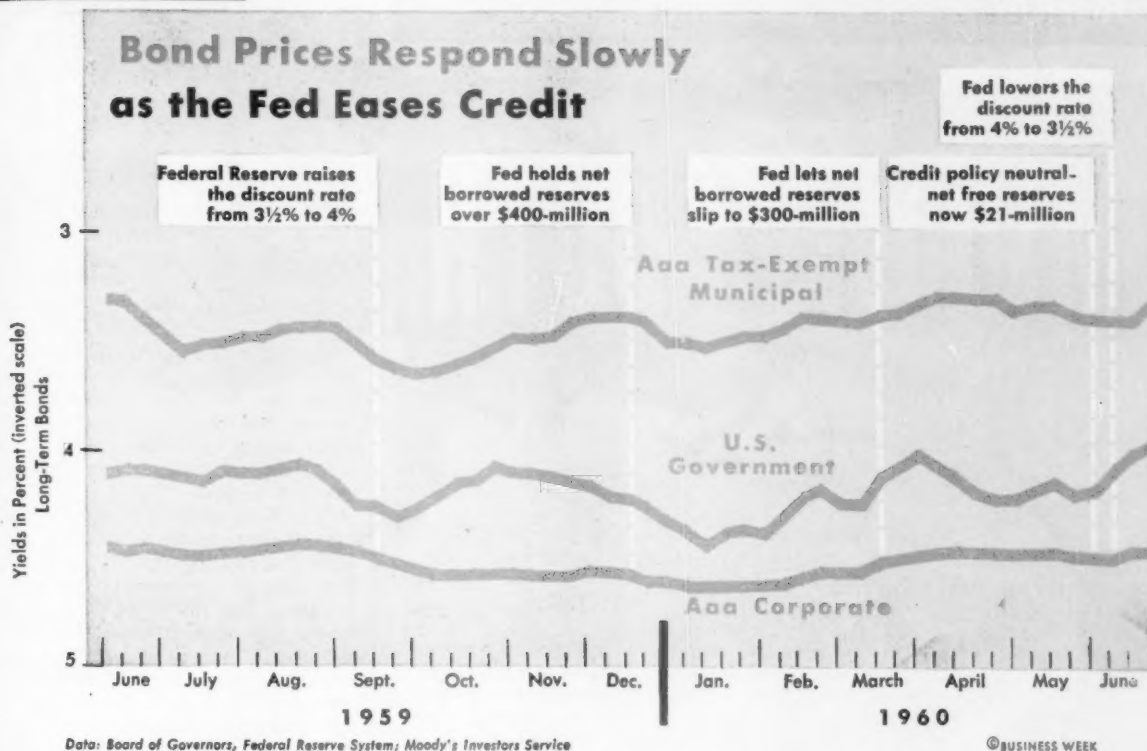
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THE MARKETS



Bull Signals Fail to Stir Bonds

Since June 1, there has been a lot of news that should have been bullish for the bond market. The money managers at the Federal Reserve cut the discount rate to 3½% from 4%, and the banking system's excess reserves, for the first time in over a year, stood in a "free" position—the banks owed less to the Fed than the total of their excess reserves. There were definite signs that money was getting easier.

In addition, softness in retail sales (BW—Jun. 18'60, p35) added fresh evidence that the economy was not performing up to expectations.

And if the commercial banks should cut their prime lending rate of 5%—as was rumored at midweek—it would mean an added boost.

Usually such news has been the signal for a bull market in bonds. This was the case in November, 1957, when the money managers shifted from a policy of restriction to one of ease to bolster a faltering economy. There had been a similar bull market in June, 1953, again after a switch in Fed policy and indications that the economy was topping out.

• **Form Fails**—The last three weeks have not held true to form. Bond prices have responded only sluggishly to indi-

cations that easier money—which means lower interest rates and higher bond prices—may be just around the corner (chart). This time the stock market went on a tear, with a record-breaking one-week rise of over 25 points on the popular Dow-Jones industrial average.

In fact, most bond men predict that, while the trend of bond prices should be upwards, there won't be a runaway bull market. "There are too many tempering influences in the market," says George J. Gruner, vice-president of John Nuveen & Co., one of the largest houses specializing in tax-exempt municipals.

It's true that long-term bond prices are now well above their lows of last January. But even with this increase, bond prices are little changed from the level of June, 1959—a time when they had been declining almost continuously for a whole year. Long term governments are yielding 3.96% (compared to 4.09% in the same week of June 1959), while yields on Aaa corporates (4.44%) and municipals (3.31%) are unchanged.

• **Reluctance**—The principal reason why the gradual uptrend in bond prices since the first of the year hasn't turned into a full-fledged bull market, is a change in thinking at the Federal Re-

serve. It's widely believed by professional bond men that in cutting the discount rate, the Fed acted not to ward off deflation but to encourage growth. This is why, with the exception of occasional flurries, bond prices haven't moved up substantially from a year ago. Bond men are wary lest—should the Fed be truly successful and the economy turn up once again—money rates rise and bond prices take a corresponding drop.

Bond dealers explain that the drop in the Fed's discount rate thus is not so clear a signal as it has been in the past. They don't think a real recession is in the making, and they are reluctant to stock up on bonds unless conditions worsen substantially. This time, they say, the Fed is providing preventive rather than curative medicine. It's not often that bond dealers are so hesitant; usually they swing to extremes. As Robert G. Van Cleave, vice-president of C. F. Childs & Co., a major government bond house, remarked recently, "The market is always trying to lengthen the period in which future conditions are discounted."

• **"New Approach"**—If Wall Street's assessment of the Fed's move is correct, then it will be the first time since the

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GATEWAY TO GROWING WORLD MARKETS

Fed gained its "independence" in the famous Fed-Treasury "accord" of 1951 that the money managers have cut the discount rate in the absence of a clear outlook for a gathering recession. In August, 1957, for example, the Fed actually increased the discount rate from 3% to 3½%, only to reverse its policy two months later.

"It's a new approach," says Dave Matthews, bond specialist for Hayden, Stone & Co. "They seem to have given up the old method of first making money too cheap and then too dear. I think the Fed has finally decided that it's not necessary to kill every recovery with tight money."

Not only does the bond market remain unconvinced that the Fed intends—just now—to move to "genuine" easy money, but bond men also cite technical factors that should work against any sharp increases in bond prices or declines in yields.

- **The Why of It**—One of New York's largest trust banks, which runs bond portfolios totaling "several" billion dollars, ticks off a number of reasons why it thinks that the effect of the reduction in the discount rate will be nil.

- The over-all demand for long-term money is not likely to drop substantially, particularly in view of the \$38-billion that businessmen have projected for capital spending for this year.

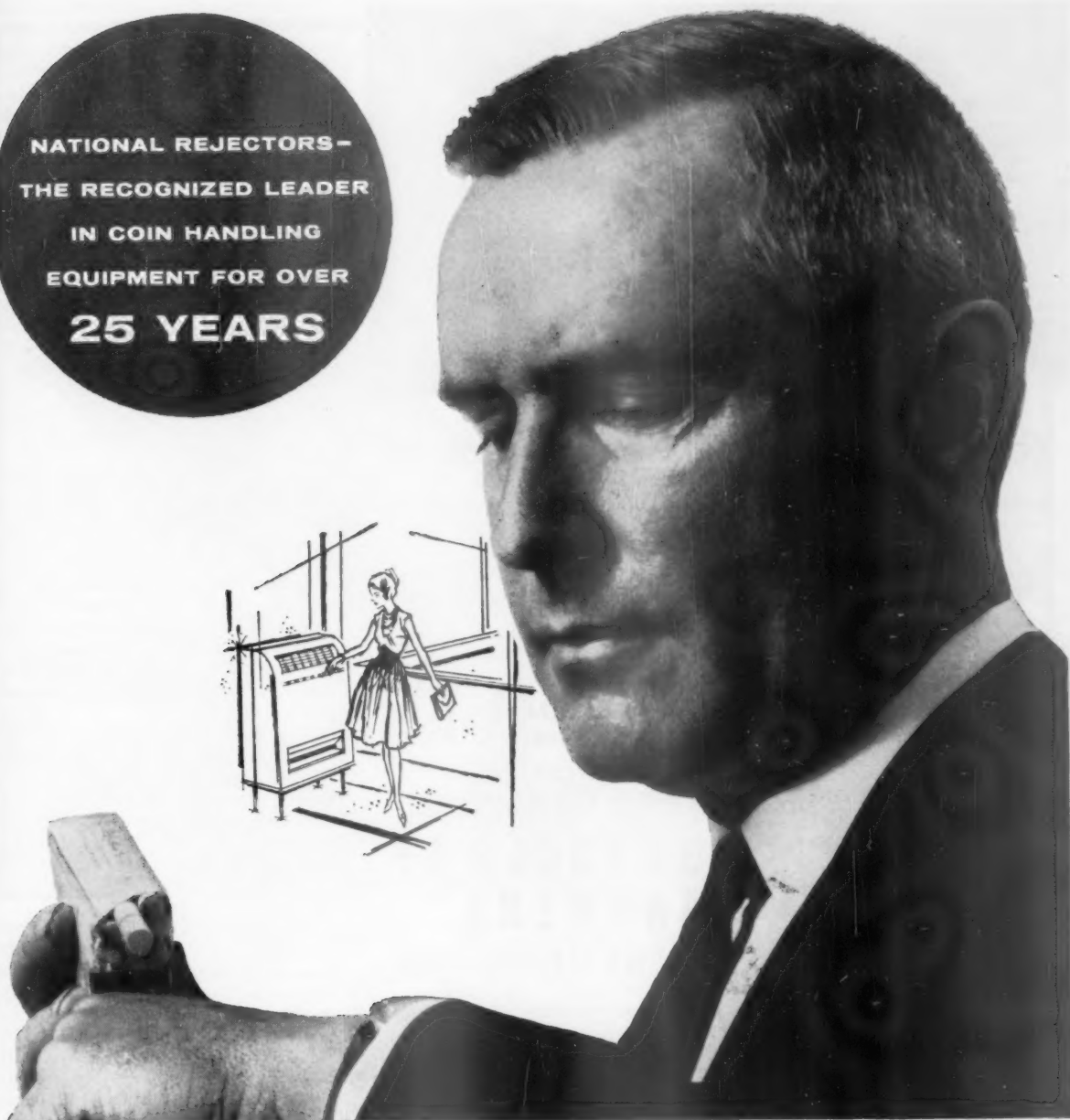
- The volume of financing—both corporate and municipal—has been below expectations so far this year. In both markets less than half the amount of financing projected for 1960 will be done in the first six months. Since the summer is traditionally a quiet period in the bond market, the bank expects a rush of offerings in the fourth quarter, which could force down prices, at least temporarily.

- At the first hint of a further drop in long-term borrowing costs, corporations and municipalities that up to now have been sitting on the sidelines will come into the market. Since the Fed cut the discount rate, two substantial corporate offers—\$50-million from Commercial Credit Co. and \$40-million from American Can—have been announced. And this Tuesday, well over \$200-million in tax exempt bonds—including a \$100-million offering from the New York State Power Authority—were sold.

This general line of thinking is endorsed by the head of a large industrial pension fund who feels that "there just wasn't any economic basis for a cut in the discount rate." He thinks that political considerations, or possibly worry about unemployment in some areas, were behind the Fed's move.

- **Investor Attitude**—Even granting Wall Street's reluctance to start buying bonds in quantity, the fact remains that there has been a change in investor

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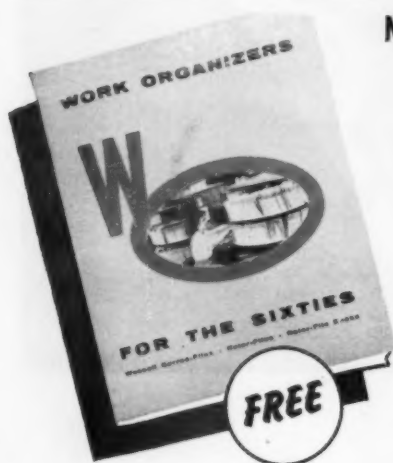
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expectations. This shows up most dramatically in the precipitous drop in short-term money market rates where small changes in the prices of outstanding obligations make a big difference in yields. It's characteristic that the bill market should react most violently to what Fed chairman William McChesney Martin called the "liquidation of inflation psychology," because the penalties for being wrong there are relatively small.

The rate on the U.S. Treasury's 91-day bills, for instance, last week plummeted to a shade under 2.3%, the lowest since September, 1958. This week, bill yields were back up to 2.6% as the money market tightened with corporations borrowing to pay June 15 tax bills. Still, this is quite a fall from the 4.5% level prevailing around the turn of the year.

Because all other short-term market rates are pegged to the going rate on three-month Treasuries, dealers in bankers' acceptances and commercial and finance company paper have been busy adjusting their rates downwards as well. This has meant a substantial reduction in borrowing costs for businesses that have access to the paper market, and it has also been followed by a sharp increase in outstanding finance company paper.

The finance companies have been switching their short-term borrowings out of the banks that charge—including the hidden additional cost of a compensating balance—rates that run close to or over 6%, to the open market. Currently big finance houses are paying only 3% for 90-day money and 3.25% on six-month paper.

• **Treasury Position**—Dealers think that the Treasury's changed posture has also been a big factor in the market. The Treasury's financing needs are always important in the bond market, and this year the need for money will be the lowest since 1957. In the first half, the cash surplus will run to an estimated \$8-billion—about equal to maturing tax anticipation bills—while in the second half, the seasonal cash deficit will be about \$3-billion.

Still, the Treasury's improved position—which has had such a sharp impact on the money market—doesn't seem to add up to a bull market in bonds.

Bolstering the other reasons for this impression is the argument that the Fed is no longer in a position to pursue a policy of aggressively easy money while money rates are high in Western Europe.

Foreign holdings of dollars and short-term dollar liabilities now run to over \$20-billion, and there's fear that if the Fed drives the bill rate under, say, 2%, the drain on the U.S. gold stock—which has slowed to a trickle this year—could turn into a flood. **END**

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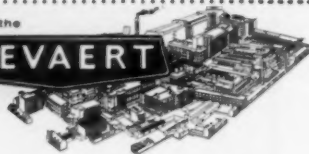
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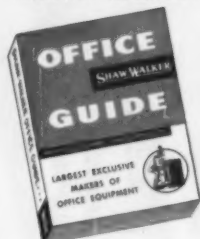
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Wall St. Talks . . .

. . . about credit card casualty, prime lending rate, trading in Lionel Corp., Hudson Vitamin issue.

Latest casualty in the shakeout of credit card systems is Zeckendorf Hotels Corp.'s system, which sold out to American Express. Other card systems also are reported singing the blues.

Rumors that New York's Chase Manhattan Bank had "broken" the prime lending rate of 5% on two major loans brought a swift denial from the bank's top management. "We have no idea of doing such a thing—at the moment," said Marus E. Conrad, a vice-president. Other bankers, while admitting pressure from customers for lower rates, claim to be holding firm at 5%, although the chances are that there will be a break in the rate soon. A definite signal for such a move would be a cut in the brokers' loan rate, now 5%.

Both the Securities & Exchange Commission and the New York Stock Exchange are looking into trading in Lionel Corp., controlled by Roy M. Cohn, one-time counsel to the late Sen. Joseph R. McCarthy, and associates. In April, the SEC took the unusual step of requiring Cohn to disclose in Lionel's proxy statement where he got the money to buy control of the company. Since then, Lionel jumped to a new high of over \$24, on talk that a new electronics acquisition may be in the works.

Plough, Inc., which has a big position in proprietary drugs, sold close to its all-time high of \$60 on word that its long expected move into the ethical drug field would be announced soon. Abe Plough, president, commented only "you can quote me as saying that I have nothing to say."

Hammond Organ Co. (\$43) has a new electronic time delay device—used to add reverberation in stereophonic home music systems—that's being talked up on Wall Street. The company says it already has contracts to supply the device to Philco and Zenith. Rumor has it that other major manufacturers want the device as well.

Hudson Vitamin Corp., a New York-based mail order company specializing in discount drugs, took the new issues market by storm Wednesday. Its 190,000 share secondary offering opened at \$12.50, sold up to \$24 immediately. Underwriter was Bear, Stearns & Co.

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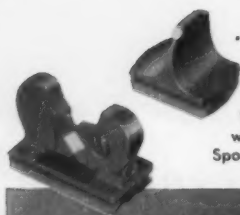
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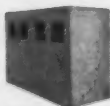
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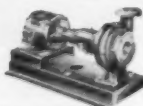
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In the Markets

• • •

Experts Still Talk of Summer Rally But Don't Say How Far It Will Go

Trading in the stock market generally concentrated on a relatively small number of issues, as has been markedly the case most of this year. Not all of the stocks traded went up, however. A number of electronics stocks and some specialty issues sold off, partly because of profit-taking after fast run-ups. Others continued to climb as a result of switching or new recommendations from some of the widely-followed services and analysts.

But the majority of issues found the going somewhat heavy. They had moved up early in the month. In the past week, however, only a few stocks have witnessed heavy trading. The remainder are marking time, somewhat above the lows reached during the winter, but still considerably below their old highs.

Most analysts think the rally will resume, but they expect it to be a highly selective one, with most of the interest focused on a comparatively few issues which will outpace the general market. There are few pessimists around at the moment, but those who expect a summer rally are dubious about just how far it will go. The majority of professionals have been wrong about the market's performance up until now, and they are inclined to be cautious about getting out on a limb again.

• • •

Texas Looks for Ways to Improve Performance of Four Big Trust Funds

The state of Texas is taking a hard look at the investment policies of its four major trust funds, and it's not too happy with what it finds—the same state of affairs that a number of states might find if they did some investigating. One remedy that may come up for vigorous debate: a central state agency to handle investment research and administration. State senators suggest such an agency might significantly reduce administrative costs and increase earnings of the funds.

Hearings by a state Senate committee came on the heels of grumbling about the investment policies of the big trust funds, which are growing at a rate of more than \$120-million annually. The probe arose partly from the revelation that the Teachers Retirement System, a \$400-million fund, had relied chiefly on the advice of one private investment counselor and had bought its securities through only two dealers. The fund has revised its setup this year.

Witnesses at the hearings urged legislation along these lines:

- The Board of Education's \$400-million fund should be allowed to invest part of its assets in corporate securities, as the other three funds now can, in order to offset losses on government bonds. Several states have lowered the bars on such investments (BW—Nov. 29/58, p113).

- The funds should be allowed to invest in govern-

ment-insured mortgages. Advocates say investment yields could be increased safely to around 5.5%, compared with less than 5% on other securities held by the funds.

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Universal Claims on Bill Changer Boost Two Individual Stock Prices

Trading in Universal Match Corp. and Universal Controls, Inc., was hyperactive this week as each company claimed a first for developing an automatic bill changer.

Last year, Universal Controls and a Universal Match subsidiary entered into a joint development and licensing agreement covering the currency devices.

Universal Controls moved up to 19, (its low for the year was 12½); Universal Match, partly on profit-taking after its sharp runup, fell 5 points to 70 (1960 low: 28½).

John L. Wilson, president of Universal Match, said his company had the first completely successful currency identification device, and has had it for the last two years. Universal Controls said it had such a device three years ago. Then both companies said the press was no place to argue such claims.

Universal Controls, whose big item has been its race track totalisator, is sure to go deeper into the vending machine business, now that the currency changer has been placed in use. Universal Match's new bill changer was displayed at Macy's in New York last week.

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Fare Increase and Route Proposal Give Airline Stocks More Lift

Airline stocks, which only recently were selling more than 40% under their 1959 highs, rose this week on word of the Civil Aeronautics Board decision granting a fare increase of 2½%, plus \$1 per one-way ticket (page 29). In a declining market, the airline shares were strong, led by United Airlines—now selling at 32, up 7 from its low of 25 earlier in the year.

Also in the spotlight are Delta (28½) and National (14½), which are expected to benefit most from the recommendation of a CAB examiner that they be allowed to fly the lucrative route from Miami to the West Coast. Wall Street estimates this route could be worth as much as \$88-million annually. But some stock analysts prefer to stick with the larger, better-financed lines, such as American and United. They feel that National, for example, might have trouble financing additional planes it needed for its new route.

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Negro Brokerage Opens on Wall Street

A new over-the-counter firm, H. L. Wright & Co., one of the first Negro-owned brokerage houses, opened up on Wall Street this week. Wright is pegging its sales pitch to the substantial volume of bond buying and selling done by Negro-owned insurance companies. It also plans to get into underwriting—by promoting private U. S. investment in underdeveloped countries, particularly among the newly independent African nations.

A REPORT TO MANAGEMENT ON HOW

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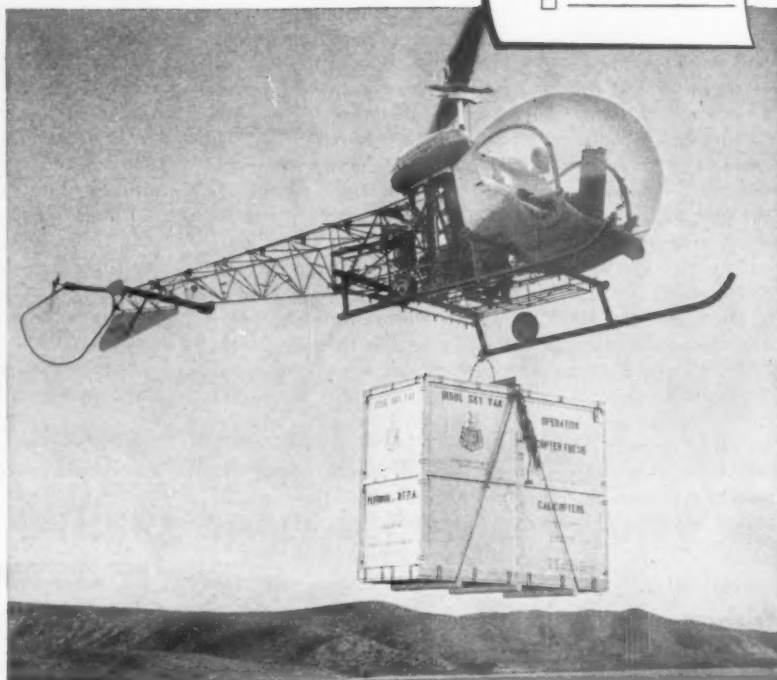
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Plywood Sky Vans are the key to a revolutionary new service offered by Calicopters, a California helicopter line offering fast, field-to-market air shipments of prime, highly perishable fruits and vegetables.

Developed by Shield Fabricators, Inc., of Gardena, specialists in design and construction of freight and cargo vans, the new Insul Sky Vans are made of lightweight fir plywood, lined with two inches of foam insulation. Properly sealed, the containers stabilize temperature of pre-cooled contents within 3 degrees for 48 hours.

The standard Sky Van is 84x42x72 inches and carries over a ton of produce in its 113-cubic-foot interior. Assembled with metal Klump fasteners, the boxes can be knocked down and returned flat at minimum cost for re-use.

Plywood construction holds down weight and fabricating costs, and also provides tremendous resistance to racking stresses and impact.



Stronger than steel, lighter and lower in cost, these giant fir plywood box girders were used on the new International Paper Co. converting plant in Auburndale, Fla. Four feet deep and 48 feet long, the girders have one-inch plywood webs with 2x12 lumber flanges and stiffeners. Available in most parts of the country through component fabricators (write for names), plywood beams can be engineered for any load or span and fabricated in almost any shape. Other advantages include ease of handling and smooth, paintable surfaces.



Computer floor system installed at a leading West Coast university employs vinyl-covered 1 1/8" thick plywood over steel supports to provide the strength and stiffness needed to withstand tremendous loads of giant data processing machines. Raised plywood floors for computers permit free cable runs and space for air conditioning. Sections can be removed for servicing or circuit changes.

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RESEARCH

Birth Control Via Vaccination

● AMA meeting hears there's a strong likelihood that a single shot will be safe, inexpensive, and long-lasting.

● International project, seeking a cure for infertility, tripped instead over the possibility of vaccination as a means of birth control.

● A vaccine, depending on the antigen-antibody reaction, would offer many advantages over hormone pills now in use.

There's a very strong possibility that doctors will soon possess a safe, simple, long-lasting, and inexpensive method of birth control via vaccination. That was the most exciting piece of research news presented to the 14,000 doctors who attended last week's 109th annual meeting of the American Medical Assn. in Miami Beach.

The discovery, as so often happens in research, was made in a project that was moving in exactly the opposite direction—a quest for the causes of infertility. The basic theory was evolved in an international cooperative study involving more than 2,000 persons, including doctors in New York, Los Angeles, Pasadena, Bombay, and Amsterdam.

• **Advantages**—If the use of a vaccine proves out—and there are strong biological reasons to believe it will—it will offer many and massive advantages over present contraceptives including the new oral hormone pills:

• **Vaccination** will be effective for at least a year. Even the newest contraceptive pills have to be taken daily by women for two-thirds of each month; that leaves a serious margin for error, especially in largely illiterate countries where soaring population is a grave handicap to economic progress.

• **A single annual vaccination** will be trivial in cost compared to the 20¢ per pill that seems to be the minimum cost for present oral contraceptives. Cost has been a heavy handicap to government birth control work.

• **The vaccination** will obviate the possibility of hormone derangement which many doctors fear may result from extended use of oral pills.

The vaccine discovery came about this way. The far-scattered researchers, in their quest for the causes and possible cures for infertility, found that conception is effectively blocked by the presence of certain natural chemicals in the blood of some men and women. In males, the chemicals prevent production

of fertile sperm; in women, they defertilize any sperm that is introduced.

• **Backtracking**—Researchers had no idea how these chemicals get into the blood of some people. In hope of finding out, however, they decided to try the frequent scientific approach of working with animals and then backtracking to humans.

First, they managed to extract two substances, fertilizin and anti-fertilizin from the sperm and egg cells of animals. The substances were injected into rabbits, whose blood immediately developed chemicals that inactivated the fertilizin and anti-fertilizin. And the rabbits promptly became sterile.

This reaction should not have been surprising. Antibodies are produced in the blood of most mammals when a foreign substance is introduced into their tissues. That's what happens with an injection of Salk polio vaccine. The dead polio virus causes the body to manufacture antibodies, which are then ready in the blood to render harmless any live polio virus that may turn up later. But investigators had not anticipated it in the case of a sperm or egg cell extract.

What apparently happens, though, is a classic example of the antigen-antibody reaction. The fertilizin injections built up anti-sperm antibodies in the rabbits; sperm produced by them or entering their bodies is promptly inactivated.

The next step was to prove that the same thing happened naturally in man when his blood contained the unusual chemicals. A complex testing of blood samples established that the theory was indeed correct—the chemicals were present in the blood of a number of infertile men and women.

• **Unknowns**—Up to now, none of the researchers is willing to guess how the chemicals get into the blood of some individuals, or—the original target of their study—how to get rid of them

when they are found to be present.

But the reverse switch on their work brought a joyful whoop from the doctors. It won't be too long, they are convinced, before they will have a vaccine made from such extracts as fertilizin ready for human use. A great deal of testing on humans remains to be done, but the basic antigen-antibody reaction seems to have been proved as a cause of infertility.

• **Hard to Manufacture**—There was general agreement at the AMA conference that it should be much simpler to develop the vaccine than to develop cheap, safe hormones for the same purpose. An immense amount of work has been done in the quest for a safe and reasonably inexpensive contraceptive pill. Some products have gone on sale (BW—Oct. 26 '57, p112); the best known are G. D. Searles' Enovid and Parke, Davis' Norluton.

But all the steroid hormones, which are large, complicated organic molecules, have been extremely difficult to manufacture. A few shortcuts have been devised in the tedious multi-step synthesis, but no one has brought the sale price below 20¢ a pill—which means something like \$50 a year for steady protection. A single, annual vaccination would cost a great deal less.

There is also the question of safety. Although extensive field tests in Los Angeles, Puerto Rico, and elsewhere have indicated that the present contraceptive pills are entirely safe, there still remains a sizable body of medical skepticism as to the wisdom of taking any hormone for an extended period, notably one that would upset the body's hormone balance by suppressing ovulation. All the pills now in use are synthetic hormones which closely resemble progesterone, the natural female sex hormone.

Moreover, some—but by no means all—of the women using the pills have complained of such disagreeable, side-effects as nausea and dizziness.

The problem of hormone balance would be bypassed by a vaccine depending on an antigen-antibody reaction. And the shot should have no uncomfortable side-effects.

• **No Mind Changing**—The doctors see one major drawback to vaccination: it would deny women their traditional right to change their minds. Once vaccinated, a woman would remain infertile until the shot wore off. How long that might be is still uncertain, though it is figured that an annual shot would insure infertility.

Regardless of the respective merits of

Rockwell Report

by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company



A SHAREHOLDER recently wrote: "I've been a stockholder for a long time, but until I read the latest annual report I simply didn't realize how many people depended every day on products we make."

Two things are especially pleasing about that letter. First, his use of "we" in speaking of himself and the company; that's a nice way for shareholders to feel.

And second, it is encouraging to hear from this and many other shareholders that our annual report did the job for which it was intended—to point out that the markets we serve are basic growth markets.

Unless you have a home workshop, probably you will never buy for your own personal use anything we make. Most of our products are purchased by utilities, oil companies and other industries, and municipalities. Yet every time you take a bath or eat a hot meal or drive your car or do a hundred-and-one everyday things, you "use" products such as we make.

This is because our products are basic to the way people live in this modern world—to the food they eat, the fuel they use for heat, cooking, light and transportation, and to community services such as water and waste disposal. In all, we produce 19 product lines, but they fall into just three related categories: *Measuring and Registering Devices*, such as gas meters, water meters, petroleum meters, taximeters, parking meters; *Control Equipment*, such as lubricated plug valves for the gas, petroleum and chemical industries, high pressure steam valves, pressure regulators, and electronic control devices for the electric power industry; and *Power Tools* that cut and form metal, wood, and plastic.

The fact that nearly everything we make is related to "necessary" rather than to "luxury" markets is at the core of our diversification program. Through it we have achieved a steady, rather than a flamboyant, growth—but more important, we have achieved the measure of stability that comes from being identified with markets basic to the economy itself. It is this kind of strength, we feel, that means most to our employees, our customers, and, of course, to our shareholders.

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This is one of a series of informal reports on

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the vaccine and hormone approaches to birth control, the soon-expected appearance of the vaccine is likely to spur redoubled efforts to find a cheap pill. And it is unlikely that doctors will be satisfied to have just two ways of combatting the excessive population that impoverishes such large parts of the world.

• **Project in Britain**—Research in one additional direction was revealed in Britain in May, with the announcement that a new chemical—1-methyl, 2-phenoxethyl hydrazinium—has worked as an oral contraceptive on rats.

The chemical prevented all pregnancies in a colony of male and female rats when it was added to their drinking water in a fairly high concentration. However, Dr. W. G. Spector of London's University College Hospital Medical School, points to a major catch: No one knows whether the contraceptive effect of the chemical is on the male or the female rat. The rodents were kept in a single cage, of necessity with a common source of water, so as not to disturb their accustomed mating habits.

Spector theorizes, claiming no proof, that the chemical acts on the female rat, constricting its blood vessels and so preventing its uterine wall from preparing for pregnancy. Others guess that the chemical disturbs the hormone balance associated with fertility in the male rat or pregnancy in the female.

The next step in testing the chemical will have to wait until the rats can be persuaded to use water dishes segregated by sex. Meanwhile, use of the chemical seems to be safe. Spector subjected rats for several months to a dosage double that needed to prevent pregnancy. No side effects were noticed, and when the rats were killed later, autopsies revealed no physiological damage.

• **In Other Fields**—The new knowledge about vaccine and hormone contraceptives is sure to affect other branches of medicine, too. Thus there is good reason to suspect that many of the troubles associated with old age are due to hormone deficiency. The search for a cure for arthritis still centers around such synthetic hormones as cortisone. Hormones have been under suspicion in cancer and heart disease. Most recently, the antigen-antibody reaction has been studied as one possible factor in arthritis.

Just a few years ago, antigens—which include viruses—were suspected of being a major cause of disease in the world. More recently, these tiny particles of protein have gotten credit for stimulating the formation of the disease-fighting antibodies in the blood. Now science has once more turned a foe into an ally with the discovery that antigens can be used to induce temporary infertility. **END**

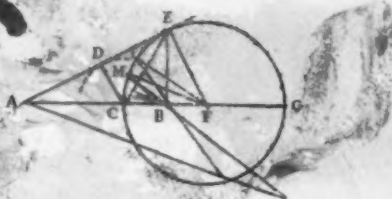
THE QUALITY OF

THINKING

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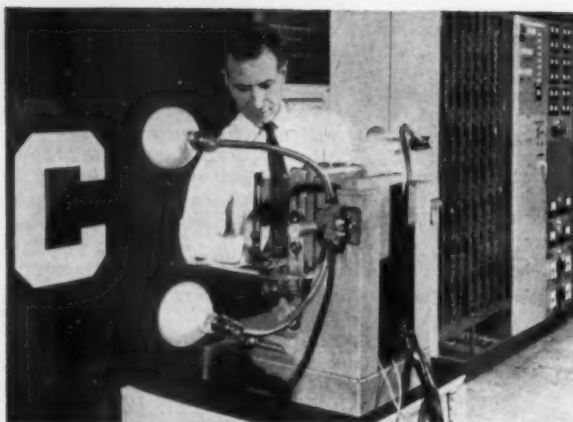
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In Research

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Machine Developed That Can Read In Much the Same Way as a Person

An experimental machine (picture) has been trained automatically to identify objects or patterns such as letters of the alphabet. It has been developed by Cornell Aeronautical Laboratory, Inc., under sponsorship of the Office of Naval Research and the Air Research & Development Command.

The machine, called the Mark I perceptron, was demonstrated publicly this week in Buffalo for the first time. It is only a research model, built to demonstrate the feasibility of a radical concept. This theory, first proposed by Dr. Frank Rosenblatt of CAL in 1956, had previously been checked only on a high-speed digital computer. According to this theory, it should be possible to build an electromechanical device that closely resembles a living biological nerve net.

The Mark I unit consists basically of a "sensory unit" of photo cells that views the pattern shown to the machine; "association units" that contain the machine's memory, and "response units" that visually display the machine's pattern recognition response. Its design, Rosenblatt says, conforms very closely with current anatomical and physiological thinking as to how the human system recognizes what it sees.

The fact that the principle works—at least on a simple scale—would seem to indicate that scientists may soon be able to develop a whole series of efficient pattern recognizing machines with ability to process non-numerical information. Just as the digital computer is used to solve problems involving numerical data, such machines would be useful in helping to solve a large variety of scientific, engineering, and military problems.

A perceptron of much greater capacity than Mark I, says Rosenblatt, could be used to read print of various types and to recognize spoken words. Similar machines might also be used to extract salient data from photographic information.

There are, of course, a number of other scientific approaches in the search for machines that can hear,

see, and react (BW—Jun.18'60,p119). This research is being pursued at a number of industrial, government, and university laboratories. The perceptron program at Cornell Laboratory, however, is one of the first to develop potentially useful recognition hardware.

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RCA Opens Solid-State Physics Lab In Tokyo to Tap Asian Knowhow

In a move calculated to tap the large pool of fundamental research knowledge in Asia, the Radio Corp. of America is setting up a new research laboratory in Tokyo. The new organization, to be known as Laboratories RCA, Inc., Tokyo, will conduct fundamental studies in the physics and chemistry of solid materials. Dr. Martin C. Steele, now a physicist on the staff of the RCA Laboratories, Princeton, N. J., will be the Tokyo laboratory's first director.

The new laboratory will be staffed at first by Japanese scientists, with gradual expansion of the staff as programs get under way. Projects will include basic studies on the electrical, magnetic, and optical properties of materials.

Since the first published word that a Japanese, Leo Esaki, had discovered the tunnel diode principle—a principle by which a current can be amplified by means of a phenomenon known as negative resistance—U.S. scientists have become increasingly aware of what may be gained by utilizing Asian knowledge of the field known as solid-state physics. Top U.S. researchers, probing the same ideas that Esaki successfully linked together to form his theory, completely missed the implications of what might be gained if semiconductor materials were doped to saturation (BW—Mar.26'60,p116).

This is the second overseas research laboratory for RCA. The first was opened in 1955 at Zurich, Switzerland.

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Aerojet-General Works on Rocket That Uses Both Liquid, Solid Fuel

Researchers of Aerojet-General Corp. have started work on a \$580,000 Navy contract to explore a novel idea in chemical rocket propulsion—the hybrid rocket. This is the first large-scale attempt by the government to see if it is possible to combine the best features of present liquid and solid propellant rocket systems.

The Navy Bureau of Weapons says, in the light of its most recent studies, that it should be possible to construct a hybrid rocket. In such a system a liquid oxidizer (such as LOX or liquid fluorine) would be sprayed into a core of solid fuel, thus getting the most out of the high performance capabilities of liquid propellants and the simplicity and compactness of solid fuels.

Converting to a hybrid system would significantly lengthen the ranges of conventional weapons, Navy scientists think. It would provide the stop-start and variable-thrust capability needed for space missions and would give rocket men much more choice of chemical fuels and oxidizers for best results.

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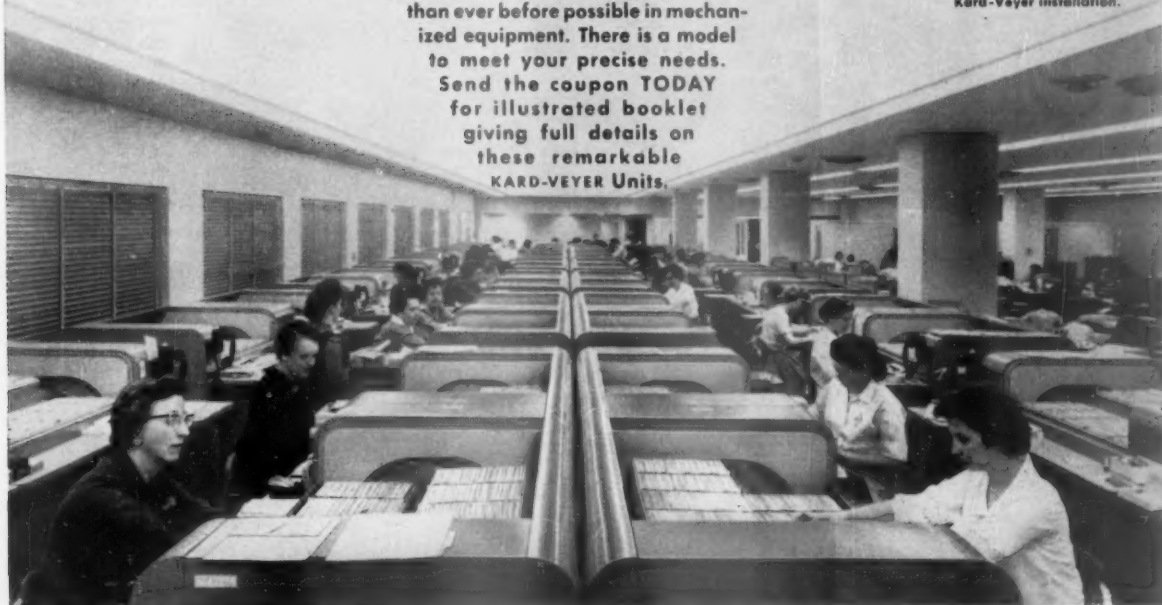
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PERSONAL BUSINESS

BUSINESS WEEK

JUNE 25, 1960



Is it a tax-free gift—or taxable income?

Suppose you receive a set of golf clubs from one of your suppliers, who on his own tax has deducted their cost as a business expense. Do you have to pay taxes on the dollar value of this gift? Or is it tax-free?

In a new series of long-awaited decisions, the U.S. Supreme Court has turned thumbs down on the Treasury's contention that if the giver deducted the cost of the item, the receiver got taxable income.

The high court now says this: We won't make a cut-and-dried rule to determine the tax status of every business "gift"—each case will have to stand on its own facts.

The implication: a considerable leeway—or at least, room for debate—on such cases in the future, with court contests resting with judges and juries (BW—Jun.18'60,p182).

As a practical matter, the Treasury might not raise much fuss over a set of golf clubs—inexpensive gifts get by, pretty much as a standard (though informal) rule of policy. But what of high-cost items—for instance, a Cadillac, which was the subject of one of the new decisions?

Here you get more rigid attitudes: D and B were close business friends, presidents of their respective companies. Over the phone, B got some valuable information about customers from D. In appreciation, B had his company present D with a Cadillac, the cost being deducted as an expense.

D, who got the car, treated it as a tax-free gift, but the Treasury labeled it "compensation" and added it to D's taxable income. The lower federal courts bounced the case back and forth. Finally, it went to the Supreme Court, where the issue was decided, for all practical purposes, on questions of pure fact.

D got stuck for the tax. What it amounted to, said the court, was that the intentions of the parties, as shown by the facts, spelled "compensation."

Thus, for gifts moving between executives of different companies, you wind up with a wide and loose rule: Small gifts can pretty well move about easily on a tax-free basis; large gifts—and this means, surely, those up in the \$1,000 class—move at their own risk.

But what about gifts from a company to its own executives? Here you get another "gray" area, at least where large items are involved. Again, how big in terms of money a gift can be, and still remain tax-free to the recipient, is a matter of judgment and facts.

Here are some fringe benefits that an executive usually can safely receive from his own firm—without worrying about paying taxes on them:

- Meals served in executive dining rooms.
- Consumer items supplied at low cost through company quantity purchase; these can range from whiskey to washing machines.
- Christmas turkeys, hams, etc. (but not cash, regardless of amount).
- Medical checkups; psychological counseling by specialists.
- Company contest prizes—these can be valuable, such as the cost of educating the winners' children or the cost of vacation trips.
- Company deals for vacations at reduced cost to the executive, where the company can get lower resort rates, for example, because it provides convention or other company business.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

JUNE 25, 1960

- Use by the executive of a company-owned resort, at "actual" cost; also, use by the executive of a company-owned home at a cost sufficient to cover only the company's actual investment, plus a modest interest rate. (In other words, the landlord's profit can be eliminated.)

- Use of company-operated maintenance crews to repair and maintain home facilities, at cost.

- Education for the executive; courses and books (BW—Mar. 26'60, p160).

- Insurance benefits via group life, group health, split dollar, etc.

- Financing at low rates of interest; for example, home-buying, at a very low interest rate, with long-deferred installments; also, financing the executive's purchase of life insurance.

Warning: In an attempt to crack down on excesses and abuses, the Treasury recently required that companies state on their tax returns if they provide special resort and vacation facilities for their top men. Generally, it is only the clear abuse that gets rough treatment. Here again, the rule is one of prudent judgment.

Widows of executives: The law specifically allows tax-free company payments to beneficiaries of executives, up to \$5,000. Some courts, finding a "true gift," have boosted this ceiling to as high as \$50,000. **Outlook:** The Supreme Court will eventually tie up this loose end.

—●—

Charter flights broadened: Liberalized rules on transatlantic passenger charter flights become effective next week when the CAB begins to O.K. charter organizations on a less restrictive basis. Immediate families of members of chartering groups now may make the flight even if they are unaccompanied by the members. Also, larger groups may charter flights. Travel agents and most airlines handle details, if you're interested.

—●—

If you haven't already contributed to the U.S. Olympic Committee's \$1.5-million fund, you may want to do so now to insure a full-strength U. S. team in the summer Olympic Games at Rome. About \$750,000 has been received to date for selection, training, transportation, and accommodations. If interested, write to Olympic Assn., 57 Park Ave., New York 16.

—●—

World of politics: A new game played on a board traces the crisscross of political backrooming during an election year—it's called "Convention" and features such highlights as caucuses, convention floor demonstrations, and how to win and lose delegates (\$2.98 plain, \$4.98 de luxe, in stores).

—●—

Potpourri: Boeing's 720-medium-range jet makes its service debut on United's Chicago-Denver-Los Angeles route July 5; its average cruising speed of about 600 mph. is about the same as that of the larger Boeing 707 . . . Airways Club, Inc. (240 Madison Ave., New York 16), newly formed to "present the viewpoint" of airline passengers, offers \$15,000 insurance for a \$10 annual fee; higher coverage available up to \$150,000 for \$65 (includes dues) . . . Live Metropolitan Opera broadcasts next season are set for a special network of about 100 radio stations . . . For boating or highway use, a new high-powered weatherproof light, the "Eveready" Captain Lantern, has a red signal flasher, operates on an alkaline battery (\$18.95).

TIME TO DECIDE



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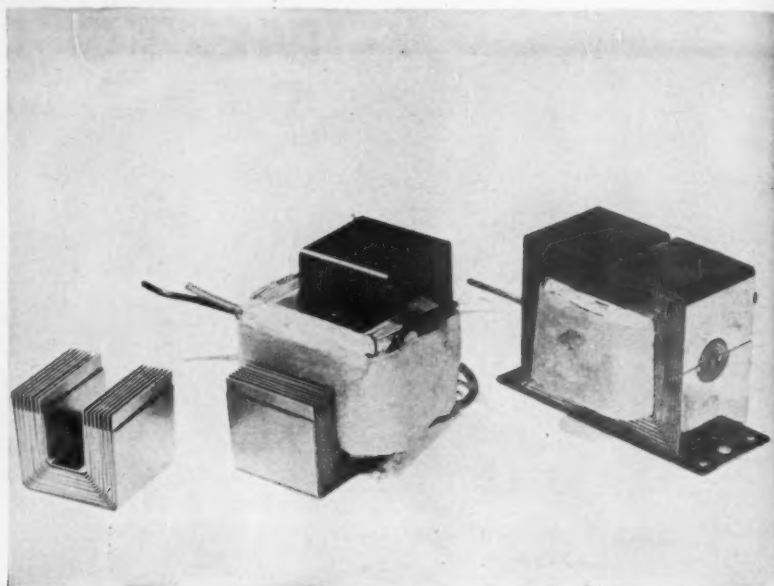
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NEW PRODUCTS



Transformer to Fit Equipment

Sylvania Electric Products, Inc., subsidiary of General Telephone & Electronics Corp., has developed a novel kind of core for winding the coils of its transformers for small electrical apparatus (picture). The company claims the new transformers are up to 30% smaller and lighter and can be machined in unusual shapes to give more design flexibility.

These features, Sylvania expects, will give it a big boost in the highly competitive small transformer market.

Sylvania builds half the core (shown at left in the picture) by nesting U-shaped strips of silicon steel together in a staggered pattern. (Silicon steel is the conventional material for transformer cores.) Then two halves are pressed together so that they interleave tightly. Finally, they are arc welded.

• **Predecessors**—The new core competes with two others that have been standard for a long time. The more common and less expensive of the two is the so-called "EI-core." This is formed by stacking up flat E-shaped metal laminations to a desired thickness and closing the E with I-shaped laminations. The individual laminations are stamped out on dies.

The other rival comes earlier in the alphabet—it's called the "C-core." Steel ribbon is wound into a thick circle on a spool-like mandrel. Then the steel circle is removed and cut in half to accommodate the primary and secondary coils. The last step is to weld the halves back together. Since this process involves more labor, the C-core is more expensive than the EI-core.

Both these cores lose efficiency be-

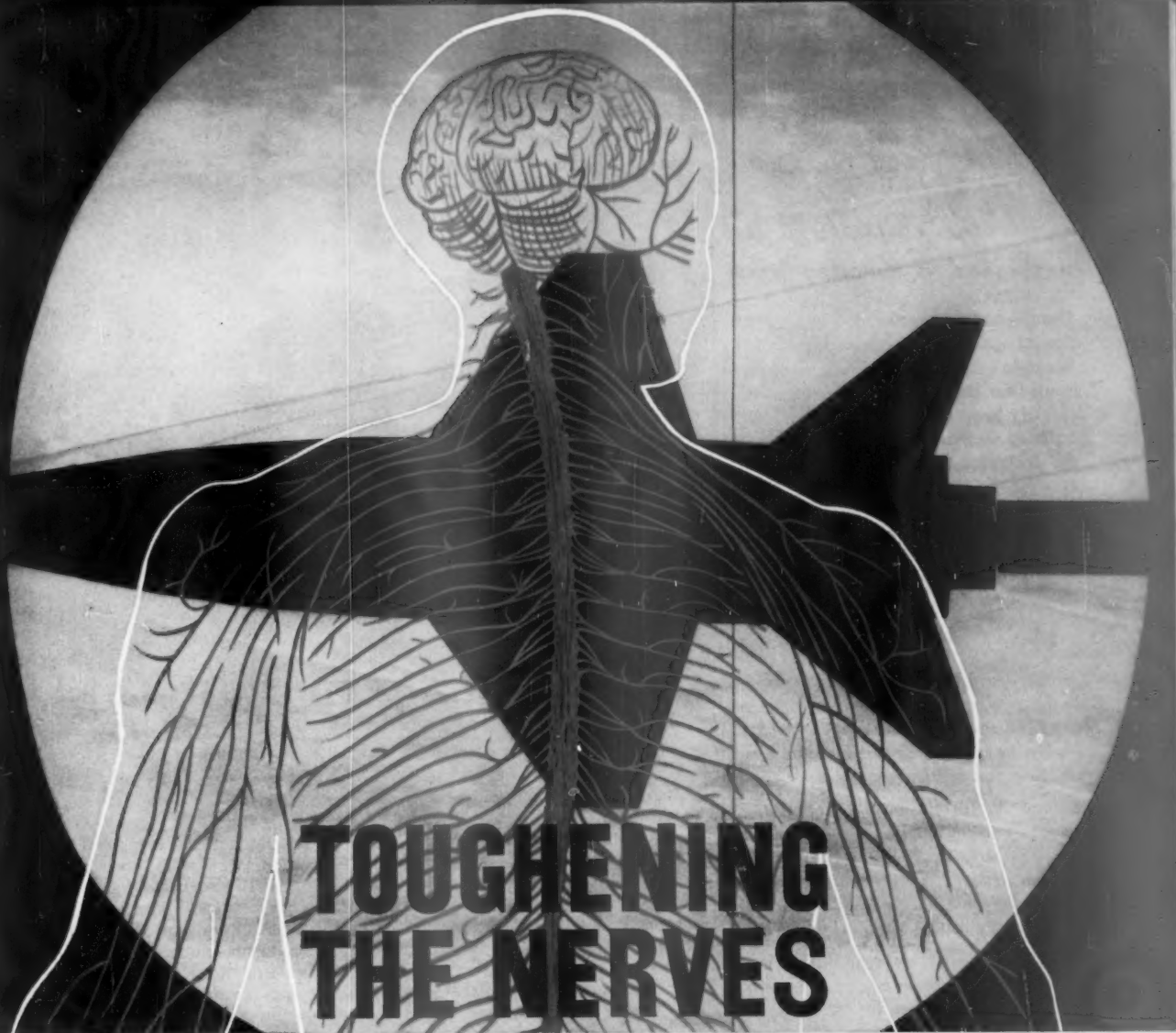
cause of a tiny air gap where the two sections join. The magnetic field has to bridge this gap. However, Sylvania says the interleaving between sections of its new core virtually eliminates the gap; this is one reason why the new transformers can be made more compact.

• **Flexible Tooling**—Probably the most important advantage of the new core is the way it's machined to make possible a wide variety of sizes and shapes. To turn out an offbeat size or shape of the EI-core or C-core transformers, a manufacturer has to go through the expensive process of retooling.

So if a producer of electrical equipment wants to use odd shapes of transformers to improve design efficiency, he has to pay a heavy cost penalty. To keep costs down, he usually designs his products to take standard transformers off the assembly line—and the transformer is often the largest single component in his products.

However, Sylvania contends that it has special machine tools enabling it easily to make transformers in any size or shape up to 18x18x36 in. without retooling. It won't discuss details of these tools for fear of competitors. But it says engineers can now fit the transformer to the equipment instead of the other way around—and without added cost. Instead of filling space with bulky cubical transformers, they can use, say, a skinny transformer less than half an inch thick.

This feature inspires Sylvania to expect a much bigger chunk of the market for transformers to go into TV sets, hi-fi equipment, and other consumer appliances and electronic gear. **END**



TOUGHENING THE NERVES OF THE X-15*

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The incredibly complex environment in which a rocket engine and its "nerve system" must live and perform presents unique design problems. Electrical wiring must endure operation at 500° F. hot or -120° F. cold. Temperatures may jump from sub-zero to 600° within seconds. Insulation must be perfect in near-vacuum without breakdown or corona, and must be immune to hydrogen peroxide, anhydrous ammonia, and liquid oxygen.

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The rocket engine in the North American X-15, built by Reaction Motors Div. of Thiokol Chemical Corp., uses *molded* harnesses . . . with wiring, connectors and junctions encapsulated and completely sealed in an integral sheath. They are a joint development of Reaction Motors and Neptune's Electronic Division, a leading supplier of systems and components for aircraft, missiles and industry. It's one more example of Neptune's ability to solve measurement/control problems with systems that meter, count, weigh, check temperatures, control and record. Can we help you?

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Minding our own business

BACKSTAGE AT BUSINESS WEEK

Thanks-but-no-thanks. Do you realize that a bootlegger is a management man? We didn't either, until we ran across the book that the Census Bureau uses to classify people. It's called, *Classified Index of Occupations and Industries*, and the following are listed under "Managers, Officials & Proprietors": horse trader, ferryboat pilot, bathhouse keeper,



peddler, pushcart stablekeeper, ragpicker, Indian trader (Is this a trader of Indians or an Indian who trades?), popcornstand keeper, and ticket scalper. Oh, and also racketeer and bootlegger.

Among the "Professional & Technical," according to the Bureau, are: balloonist, tattoo artist, snake charmer, organ grinder, truant officer, medicine man, bird doctor, and medium. And last, but by no means least, impersonator.

We have no quarrel with the Bureau, but we sure wouldn't want one of its experts screening subscriptions for us! Business Week has its own definitions of management and technical executives. A snake charmer, no matter how charming, is still



a snake charmer to us. And you'll never find Business Week in your bird doctor's waiting room. Last year, we politely refused subscriptions to nearly 11,000 people—an astonishing practice in the publishing business. But it means BW is going to people who really can use its contents in business. And our 673 advertisers cheer.

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Fork Lift Is the Heftiest Yet

The batch of Ford Falcons in the picture is a relatively light load for this new fork lift truck made by Clark Equipment Co. The truck, capable of handling 35 tons, is the biggest general-purpose fork lift ever made, Clark says.

First customer for the Ranger 700, as the new lift is called, is Ford Motor Co.'s Steel Div. in Dearborn, Mich. Ford is buying five of the new lifts to handle hot steel slabs at its River Rouge mill.

When finished steel slabs weighing 10,000 to 25,000 lb. come out of the rolling mill, their temperature is about 2,000F. Transporting these huge, glowing pieces of metal even to nearby storage sheds has been pretty expensive for Ford: An elaborate network of railway tracks has been built between mill and sheds. At the mill, an overhead crane lifts the hot slabs onto gondola cars headed by a locomotive with another crane mounted on it. When they reach their destination, the locomotive crane unloads them. An overhead crane alone can cost nearly \$500,000. And besides a lot of equipment, the operation requires a lot of men—crane crews, riggers, a switching crew.

• **One-Man Job**—With the big fork lifts, Ford will be able to cut way down on expenses and manpower. The Ranger 700 costs under \$100,000. And it only takes one man to do the job.

Another advantage is that it's possible to drive almost anywhere on the Ranger's 74-in. pneumatic tires instead of being limited by track.

Clark built a number of special features into the lift for Ford. Double windshields of heat-resistant glass pro-

tect the operator in the cab. The front wheels are heat shielded, and the cab is air-conditioned. The standard Ranger, without the heat protection, costs about \$85,000.

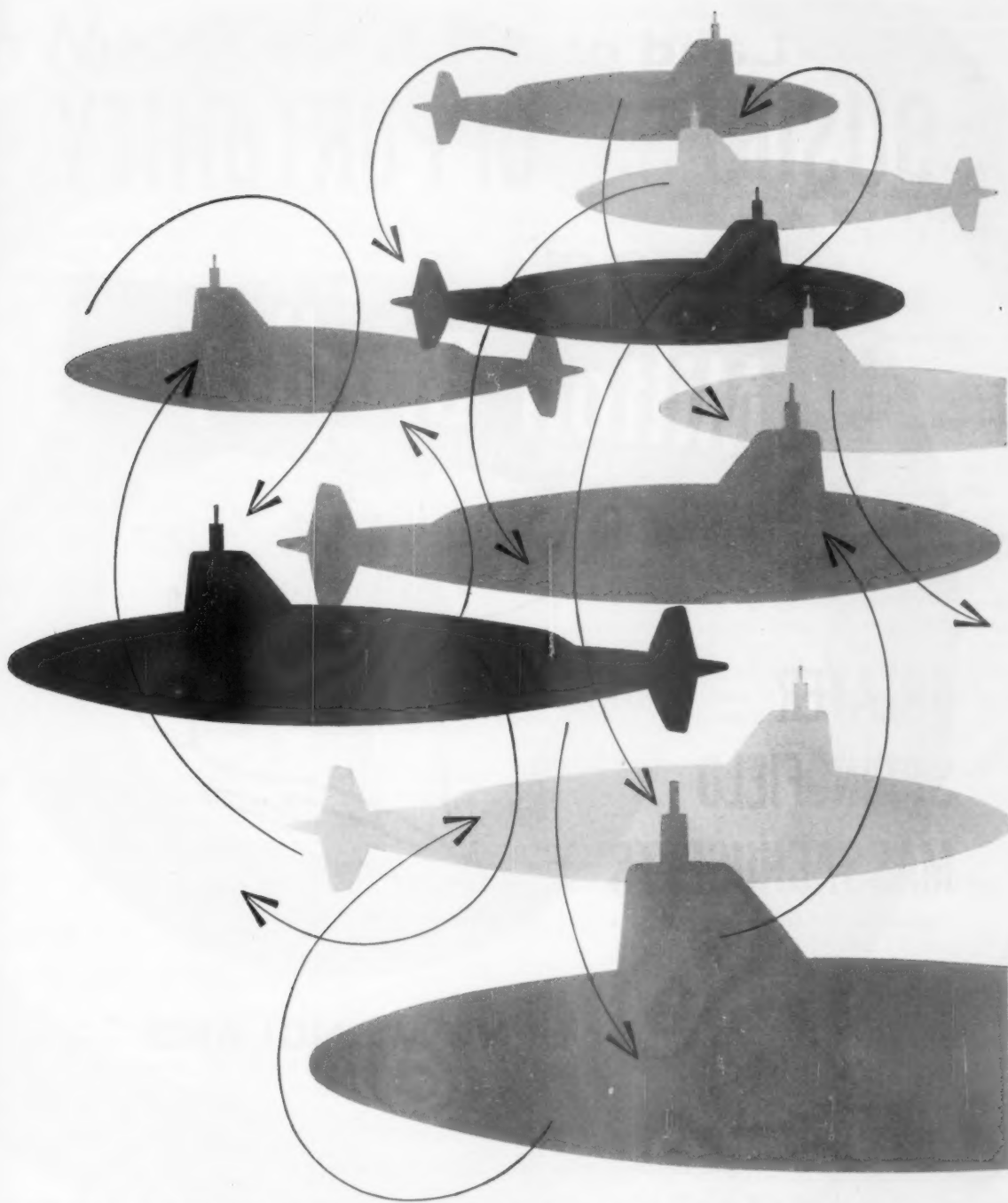
The Ranger runs along at 12 mph. by means of a 425-cu.-in., six-cylinder diesel engine. It also has a four-wheel drive and aircraft-type brakes.

Other applications Clark foresees for the Ranger include handling big blocks of building stone in quarries, transporting logs from sawmills, and moving large pre-stressed concrete beams on construction jobs.

NEW PRODUCTS BRIEFS

A high-strength steel for industry was announced last week by Scaife Co., subsidiary of Wilson Bros. Called MX-2, it is a cobalt-modified low-alloy steel originally developed for cases of missile engines. Scaife says it has two or three times the strength of conventional construction steels, yet is easily fabricated. Price is high: about \$3,000 per ton for sheet.

• A transistorized control for washing machines has been demonstrated by P. R. Mallory & Co. It eliminates all moving parts for controlling the washing cycle. Trouble is that right now it costs too much—about \$100, as compared with \$15 or \$20 for present electromechanical controls. Mallory is keeping its eyes open for electronics developments that would permit the price to be cut substantially.



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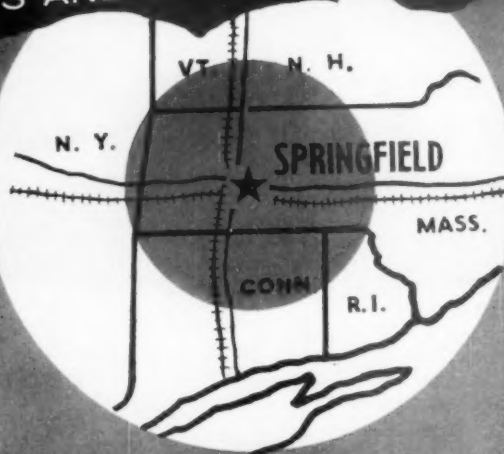
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In Management

• • •

Cobb Resigns as Head of S. H. Kress; Sund Is President of American Can

George L. Cobb resigned as president and chief executive officer of S. H. Kress & Co., last week, after a two-year term marked by falling sales and profits and increasing stockholder discontent. Cobb had taken over as president of the 262-store variety store chain in 1958 after the Samuel H. Kress Foundation, which owns 42% of the stock, had ousted the company management by threatening a proxy fight (BW—Jun.21'58,p58).

So far, no successor to Cobb has been named. Meanwhile, Thomas W. MacLeod, vice-chairman has taken on the duties of the president.

Kress' sales were \$154.4-million in 1959 and except for a slight pickup in 1958, there has been a year by year drop in sales since the company's \$176.2-million peak sales year in 1952. At the stockholders' meeting last May, Cobb admitted to mistakes, "some glaring" in the attempt to stop the slide. In the first four months of this year, sales were almost \$2-million under the same period in 1959.

In other corporate changes last week: Roy J. Sund was elected president of American Can Co. succeeding William C. Stolk who was named chairman and remains chief executive officer. Sund had been vice-president of the company and general manager of the Marathon paper division.

B. T. Babbitt, Inc., maker of cleaning products, named Michael P. Frawley president and Alfred I. Schimpf chairman and chief executive officer following the resignation of Pres. Marshall S. Lachner.

• • •

Executives Keep Only 60% of Stock They Purchase Through Options

Companies view stock options both as a form of compensation and as a device for giving managers proprietorship in the company. But those two aims may conflict, and so far options seem to be doing a better job of meeting the first goal than the second.

These are the conclusions of Charles F. Poston, associate professor of finance at the University of Akron's College of Business Administration, in a research paper published by the University of North Carolina School of Business Administration.

Poston analyzed the results of stock option plans in 16 companies. He found no spectacular increase in proprietorship; on the average, the executives kept only about 60% of the stock optioned to them.

But he found that stock options—in a rising market—have proved an effective pay technique. The executives who got them chalked up actual and paper profits ranging from about \$4,000 to more than \$300,000—in the median company, close to \$80,000. Except for one company that bid high for what it considered top talent, the average cost to stockholders was less than 2¢ a share.

But, as Poston notes, options may not be pay at all if the price of the stock falls. Monsanto Chemical Co., in a plan offered this month to 22,000 salaried and hourly employees, is trying to eliminate that risk by combining the options with a payroll deduction savings plan. Money deducted will be accumulated to pay for the stock when the option is exercised; meanwhile, Monsanto will pay interest on it at a rate at least 1% above savings account rates authorized for Federal Reserve System member banks. Employees may withdraw from the plan and may collect both the interest and the principal at any time.

• • •

Local Courses in Management Training Offered for High Level Executives

High-level managers who have neither the time nor inclination to leave their offices for extended training courses at universities or other centers are a major target for a new Advanced Management Course being established by the Society For Advancement of Management. The program consists of 17 four-hour sessions that can be given under the local sponsorship of any one of SAM's 76 chapters.

The society's decision to set up small local courses with centralized direction instead of a centralized program follows the trend of many big companies that are finding it more convenient to spread out their training (BW—Jan.9'60,p56). Each of the local courses will have from 10 to 15 participants and an "administrator"—usually a local executive, consultant, or professor who has been trained by SAM to lead the course. Tuition is \$400 and includes all materials.

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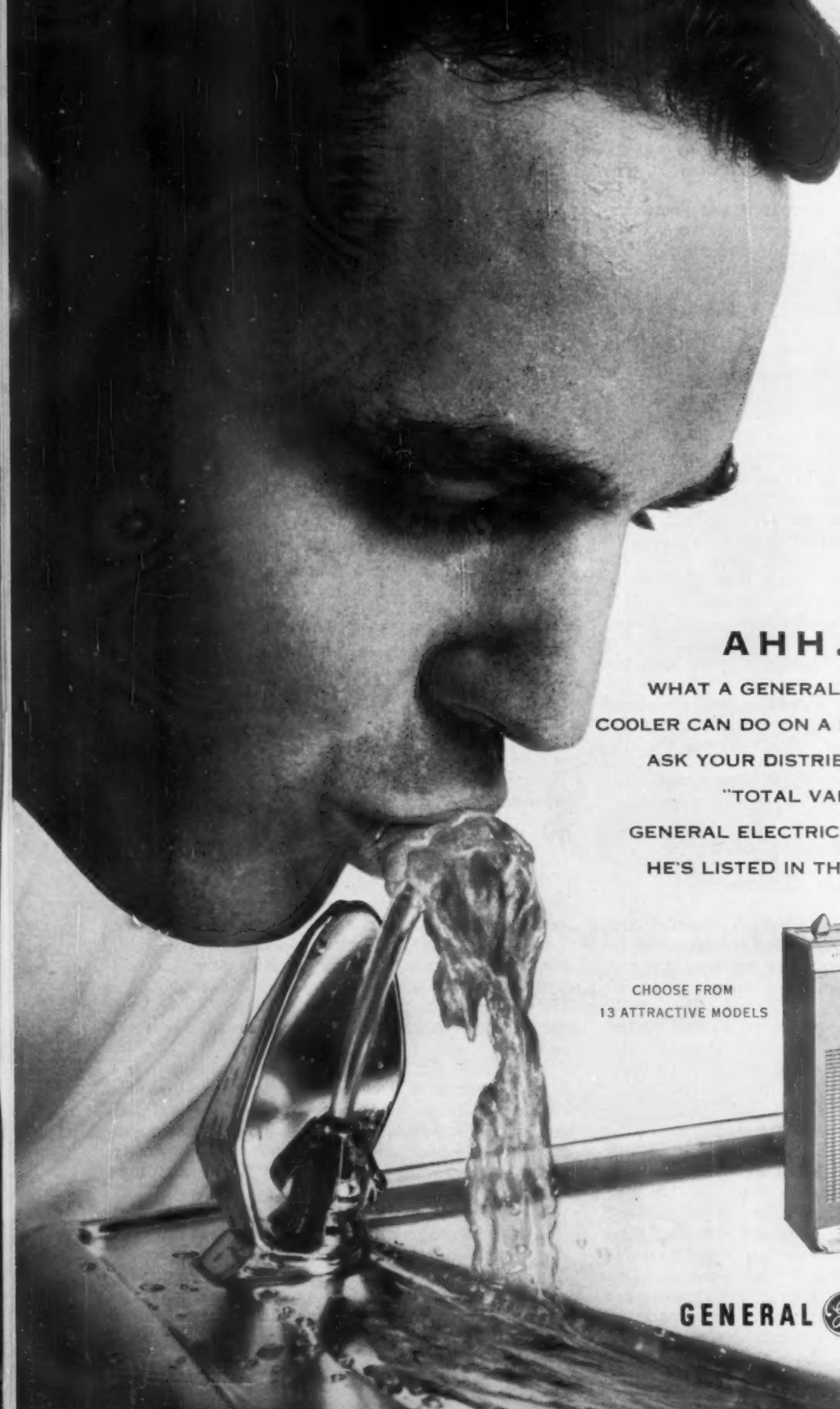
Milwaukee Companies Join in Sponsoring TV Training Program for Supervisors

The newest industrial training medium—the local television station—is now beginning to play a part in management development.

Like Minnesota Mining & Mfg. Co. (BW—Jun.18'60, p96), the Wisconsin Training Directors Assn. has been putting training programs on TV. But unlike 3M's efficient reading course, aimed at employees of any level, the Wisconsin series has been beamed toward supervisors and other managers.

Last month the Wisconsin training group completed a 12-week series of TV programs over the Milwaukee educational station WMVS-TV. Through lectures, skits, and panel discussions, the shows dealt with such topics as political action, safety, communications, creativity, leadership, and teamwork. Seven Milwaukee companies footed the bill.

The project's committee, headed by Charles F. Kendall, A. O. Smith Corp., management training specialist, and consultant Lynn Surles, is still evaluating results. But, at the moment, it looks as if another series, possibly dealing with specific industry problems, will go on in the fall. Three of the spring telecasts have been filmed for showing to company groups.



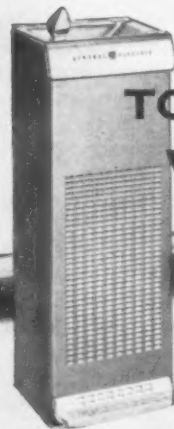
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Outdoor Oomph in April Pickup

More than seasonal comeback from harsh March weather plus census jobs makes up for weakness in hardgoods.

The advent of spring weather usually has a tonic effect on the outdoor phase of the employment picture. This year was no exception, but the tempo was intensified because of the severe weather in March which had delayed or reduced the normal pickup in construction and agriculture. This exaggerated surge in seasonal work, plus additional help from 150,000 temporary jobs in census taking, served to cushion the effects of a visible softening in hardgoods employment around the country.

Transportation equipment manufacturers reported 55,400 fewer jobs than in April, 1959, with most of the reductions centered in aircraft and shipbuilding. Other soft spots showed up in primary metals, petroleum and natural gas, leather products, and communications. But government employment, in faithful adherence to Prof. Parkinson's first law, was nearly a half-million higher than last year, including the 150,000 temporary census jobs. Almost two-thirds of the increase was in state and local government payrolls.

According to BUSINESS WEEK's Measure of Personal Income, Americans were 5.7% better off in April, 1960, than at the same time last year. Only four states registered year-to-year losses—Kansas, Montana, North Dakota, and South Dakota—all reflecting the continuing decline in farm income. Nationally, cash receipts from farm marketings were less than 1% higher than last year. But even this small improvement was wiped out by spiraling farm operating costs. Twenty-four states reported a better April in cash receipts, yet farm proprietors' income, as reported by the Commerce Dept., fell 10.7% below April, 1959.

On the plus side, 21 states matched or bettered the national average in yearly improvements, with the two newest states, Hawaii and Alaska, taking the lead. Nevada's healthy 12.2% improvement was due to continued expansion in construction, trade and service activities, mostly in the Las Vegas area. Alabama owed its 11.8% gain to a sharp pickup in trade and government jobs that more than offset the dip in durables manufacturing.

From March to April, personal incomes rose a scant 0.5% as the pluses and minuses in the economy tended to offset each other.

MEASURE OF PERSONAL INCOME

STATE	1953-55 AVERAGE	Millions of Dollars (Seasonally Adjusted)			% CHANGE VS. YEAR AGO
		APRIL 1959	MARCH 1960	APRIL 1960	
Alabama	\$286.4	\$401.2	\$414.6	\$448.6	+ 11.8%
Alaska	41.9	52.6	64.6	61.8	+ 17.5
Arizona	126.9	204.2	221.2	225.2	+ 10.3
Arkansas	153.5	198.3	200.6	204.2	+ 3.0
California	2,341.7	3,343.9	3,632.5	3,654.8	+ 9.3
Colorado	217.2	319.2	338.5	346.7	+ 8.6
Connecticut	440.7	583.1	621.2	604.4	+ 3.7
Delaware	78.6	115.1	125.0	122.5	+ 9.9
District of Columbia	158.2	192.5	190.4	198.6	+ 3.2
Florida	456.8	748.0	804.8	807.8	+ 8.0
Georgia	383.2	509.4	546.6	551.9	+ 8.3
Hawaii	76.0	107.4	127.8	128.0	+ 19.2
Idaho	74.5	102.1	106.5	105.3	+ 3.1
Illinois	1,677.5	2,209.2	2,269.4	2,294.1	+ 3.8
Indiana	663.5	864.2	891.4	904.5	+ 4.7
Iowa	357.3	464.6	472.2	484.3	+ 4.2
Kansas	281.8	379.9	373.0	374.3	- 1.5
Kentucky	307.1	377.3	375.9	396.9	+ 5.2
Louisiana	318.3	435.0	453.2	453.3	+ 4.2
Maine	112.8	135.3	146.4	146.3	+ 8.1
Maryland	432.3	588.9	615.9	622.6	+ 5.7
Massachusetts	799.8	1,034.3	1,111.1	1,094.7	+ 5.8
Michigan	1,234.1	1,552.8	1,695.2	1,644.2	+ 8.0
Minnesota	434.8	578.4	600.1	608.0	+ 5.1
Mississippi	160.9	208.9	212.8	213.2	+ 2.1
Missouri	600.9	773.4	801.3	812.7	+ 5.1
Montana	92.3	118.4	113.6	114.9	- 3.0
Nebraska	182.5	242.0	247.7	247.8	+ 2.4
Nevada	43.1	63.6	69.5	71.3	+ 12.1
New Hampshire	75.2	97.2	103.6	102.7	+ 5.7
New Jersey	982.9	1,269.0	1,349.8	1,339.2	+ 5.5
New Mexico	91.8	134.8	145.3	142.3	+ 5.6
New York	2,887.9	3,641.2	3,853.3	3,867.9	+ 6.2
North Carolina	429.0	584.3	593.7	613.3	+ 5.0
North Dakota	67.4	96.1	91.6	91.6	- 4.7
Ohio	1,476.3	1,911.0	2,035.1	2,031.2	+ 6.3
Oklahoma	268.5	347.7	355.4	350.7	+ 0.9
Oregon	249.8	326.0	343.2	345.6	+ 6.0
Pennsylvania	1,678.6	2,102.7	2,220.5	2,219.6	+ 5.6
Rhode Island	129.9	153.0	167.8	167.2	+ 9.3
South Carolina	210.0	267.1	283.6	287.2	+ 7.5
South Dakota	73.7	100.1	95.4	99.7	- 0.4
Tennessee	345.9	462.5	458.7	472.5	+ 2.2
Texas	1,132.9	1,476.3	1,519.6	1,519.2	+ 2.9
Utah	98.1	141.4	152.0	153.0	+ 8.2
Vermont	45.9	58.8	61.1	60.9	+ 3.6
Virginia	383.3	573.3	586.2	600.0	+ 4.7
Washington	418.0	532.2	547.5	557.6	+ 4.8
West Virginia	209.7	265.3	267.8	269.7	+ 1.7
Wisconsin	528.2	674.9	714.8	709.4	+ 5.1
Wyoming	45.9	57.9	58.2	59.2	+ 2.2
NATION	\$24,363.5	\$32,179.0	\$33,847.2	\$34,002.6	+ 5.7%

April, 1960, preliminary; March, 1960, and April, 1959, revised.

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Processing Perks Up Idaho Potato

Only five years ago, Idaho's potato growers were worried about surpluses when they produced a 30-million-cwt. crop. Last year, they raised 40-million cwt. and didn't worry a bit; instead, they looked for more acres to plant and for means to boost per-acre yields. What made the difference was a sudden, massive rush by the nation's consumers for dehydrated and frozen potatoes—and Idaho's early-bird leap into processing.

Until the processed product sprang into popularity, per capita consumption of potatoes had been shrinking for decades, under pressure of changed eating habits—the switch from starches to proteins as incomes rose.

In 1910, the average American stowed away 200 lb. of potatoes a year. By the mid-1950s, he was down to 100 lb. The only thing that saved potato demand from being halved was the growth of population.

• **Tide Turns**—Then came the turn to dehydrated and frozen potatoes. The shrinkage in per capita consumption halted; indeed, the National Potato Council figures it is turning up a bit this year.

The turn came suddenly and rather unexpectedly. During World War II, the processed potato had acquired a bad name as many an Army cook ignored the instructions and mis-cooked it into a soggy, starchy mess. As years passed, the bad name lost its sting, processed potatoes became tastier and came in more varied forms. Apparently the variety and convenience made people defy economics, since processed potatoes contain as much starch as natural tubers.

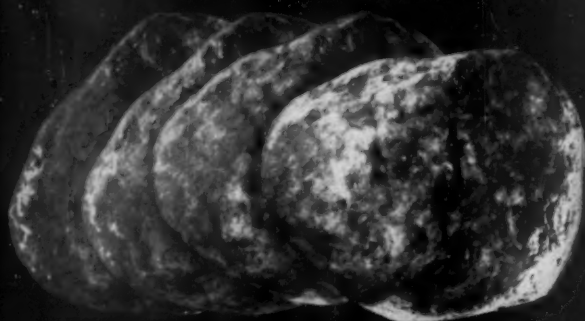
The biggest charm of all was the no-paring ease with which the processed potato could be cooked. Housewives and restaurants clamored for them in chorus. Today, supermarket shelves are laden with instant mashed potatoes, frozen food cabinets are crammed with an ever widening variety of French fries, hash browns, patties, and even "golden potatoes" wrapped in gold foil to simulate bake-in-the-skin.

• **Swift Start**—Of all the potato growing states, Idaho moved fastest into processing. In the packing season just ended, the state had eleven packing plants in operation; several more will be ready for the fall season. For the last season, Idaho processed 13.2-million cwt., six times as much as Maine, its arch rival as a potato grower. And in growing more potatoes to supply its plants, Idaho finally in 1958 passed Maine as the No. 1 producer in the nation. Last year, it clung to the lead.

Both the bigger crop and the new



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FAMOUS POTATOES

processing industry brought a nice factor of stability into Idaho's economy. Actually, cattle and wheat are the state's most valuable agricultural items, but potatoes are a strong third. Farmers figure now that the demand from the processors assures them a steady, even a growing market in what had been a feast-and-famine cycle. Most of them produce on contract for the packers. That means they aren't subject to the vagaries of the market; and it assures them of cash in hand, which in turn makes the merchants happy.

• **More Jobs**—As for the processing plants themselves, they have added substantially to the state's rather skimpy job openings. Last year, total manufacturing jobs in the state rose by 1,500; the Employment Security Agency says most of the increase was in potato processing.

On top of that, the packing plants run almost all year round, and so provide a cushion for the state in winter when men are laid off in lumber and logging, Idaho's biggest non-agricultural industry. The only time the potato packing plants are idle is for a few weeks in summer, when other industries are at or close to their peaks.

• **A Single Valley**—Idaho's potato industry, and its boom, lie in a rather small part of that wild and far-spreading state. The part is the upper Snake River Valley, where 80% of the state's 660,000 people live. Potato growing started back at the beginning of this century, when the Snake's waters were first tamed for irrigation of the plain along side the river that lies within sight of the Sawtooth mountains to the north and the Tetons to the east.

Once the irrigation ditches were filled, the area was perfect for potato growing. The soil was light, well aerated, and enriched by ancient volcanic deposits. The growing season was long, the sunshine ample. It didn't take long for the Idaho potato to become a household word. Growing it became a lively business, if a risky up-and-down one. Finally, came processing and the relative stability it brought with it.

• **Wartime Start**—Processing, both in techniques and plants, evolved from war-time activities. Indeed, the two biggest companies now in the field—J. R. Simplot Co. and Ore-Ida Potato Products—both had wartime roots. Between them, they now turn out more than half of the nation's frozen pota-



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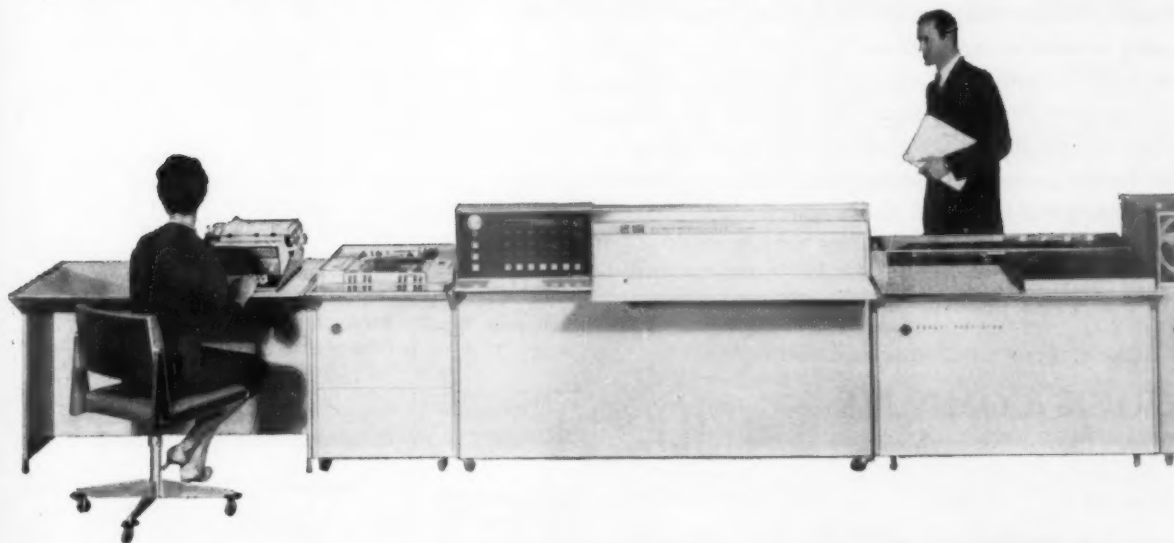
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atoes. Simplot alone produces one-third.

Simplot, whose headquarters is at Caldwell, just west of Boise, was the biggest shipper of fresh Idaho potatoes and onions in the 1930s. During the war, Simplot turned to dehydrating potatoes (BW-Jan.22'55,p146). When peace came, the company figured the Army had killed any consumer market for them, so it decided to experiment with frozen French fries.

"We learned a lot about the internal chemistry of the potato," says Leon C. Jones, vice-president of Simplot. "We knew we could offer restaurants vastly improved quality over what they were able to prepare themselves from raw potatoes or from pre-cut strips. We knew, too, that our product could save much time in the fryers, which are kitchen bottlenecks at mealtime." Today, Simplot is largely in the business of supplying restaurants and institutions.

• **Retailers**—Ore-Ida, on the other hand, concentrates on supplying retail stores. It got its start in frozen potatoes after Pres. F. Nephi Grigg took over a bankrupt wartime frozen food plant in 1946 at Ontario, Ore., just across the Idaho line.

Simplot and Ore-Ida support their huge volume with a high degree of integration. Both sell, as well as buy, seed and potatoes. Simplot has a commercial fertilizer division. Ore-Ida keeps 16 trucks on the road to carry less than carload lots to its retail-store customers from Chicago to Los Angeles. It also keeps stocks in 180 warehouses, to provide a faster service for an added fee.

As other processors moved into the business, they started plants in the upper valley—in the heart of the potato growing area—and Simplot and Ore-Ida have begun to set up their new plants in the same belt, away from their starting bases down the Snake. The new wave of expansion centers particularly around Burley, where both Simplot and Ore-Ida are building new production lines and where one of Grigg's other companies is erecting a plant for lease to the Great Atlantic & Pacific Tea Co.

• **Newcomers**—Other companies adding to their facilities are Idaho Potato Processors, Idaho Potato Growers, Inc., and Rogers Bros. Seed Co. Still others are already talking of moving in, some have even bought land. Notable among these is Lamb-Weston, Inc., the North-



Arthur Krim (Left) and Robert Benjamin (Right) of United Artists Corporation

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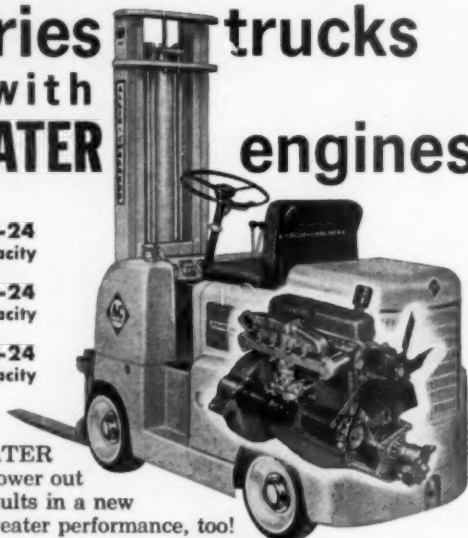
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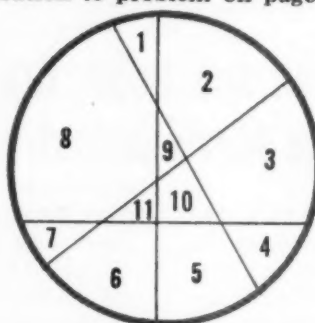
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Solution to problem on page 18



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west's largest independent packer of frozen peas.

Lamb-Weston has put off announcing the start of building work—and this may have a special meaning. The trade suspects it may be deterred by a growing suspicion that the plants now being built will mean excess capacity, at least for a while. One large packer already expects to operate at less than capacity next year; in 1959, he was pressed to meet demand.

For the long term, no one is seriously worried. Says Ore-Ida's Grigg: "If we continue in this type of economy, there is no reason why the housewife would know what the raw product looks like any more than she knows what a cow looks like—she buys cream and butter and milk." Simplot's Jones adds: "We will see the day when 80% to 90% of all potatoes marketed through commercial channels will be processed."

At Simplot's Caldwell plant, there's a "Restricted area, no visitors" sign on the room where the research staff is cooking up new techniques to improve old products or handle new ones. It's symptomatic of the Idaho industry's knack of looking ahead. One example of a new product: the crinkle-cut French fries that in a short time have matched the volume of the original French fries—and without cutting into sales of the older type.

• **Dehydration**—The dehydrated potatoes, which suffered most from wartime unpopularity, have gotten a leg up from new processes. The Agriculture Dept. collaborated with the industry to make possible potato flakes as well as the granules that are simply potatoes cooked and reduced to powder.

In the new flake process, cooked mashed potatoes are rolled on a huge stainless steel drum and then peeled off in thin sheets that break up into flakes. Both granules and flakes can be dropped directly into boiling water. That's where Army cooks went wrong: They worked with dried potatoes, but often ignored the instruction to put them in lukewarm water first and then bring them to a boil. This broke up potato cells which the new processes preserve.

Improved product isn't the industry's only gambit. It is also counting on more professional selling, as such experienced giants as Pillsbury, General Mills, General Foods, Kraft, and A&P help do the peddling. **END**

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The Alarming Lessons of Tokyo

Two fundamental problems raised by the fiasco in Japan have been largely ignored in all the comment since. They are:

(1) Can the U.S. continue to maintain military bases stretching thousands of miles along the perimeter of the Communist empire?

(2) Can the U.S. hold together the economic relationships that are essential to the survival of its worldwide political and military alliance?

The Japanese affair made these questions clear and urgent.

The demonstrations in Tokyo by Communists, Socialists, neutralists, pacifists, and anti-U.S. elements, which the Kishi government was unable to control and which led to the cancellation of Pres. Eisenhower's visit, were aimed against the U.S.-Japanese security treaty. Inevitably, they leave doubts about the true commitment of the Japanese to the security treaty ratified this week.

Should Japan go neutralist and U.S. forces be compelled to withdraw, U.S. communication and logistics lines to Korea would be severely hampered. Pressures in Okinawa for reversion to Japanese control would grow. Taiwan and the Philippines would be vulnerable from the flank. And pressures to espouse the neutralist line would spread in Southeast Asia—and elsewhere.

We cannot treat neutralism and pacifism as evanescent moods—or as the false face of Communism. A longing to live in peace, a desire to withdraw from the conflict between the great atomic powers, a cynicism toward high-sounding ideals voiced by either side, an uncertainty and despondency about the future, and a desperate urge for a better life—these are the real forces behind neutralism. These forces were born in World War II's devastation, were nourished by swift transition from traditional authoritarianism to modern democracy, and came to maturity in the cold war.

Causes of Unrest

There is no simple answer to these moods. They are not peculiarly Japanese; you find them in all countries. In the U.S., we call it the mood of "the beat." Here the mood may be almost a gag—in Japan, it may turn out to be crucial. The Communists have fed upon and exploited Japan's agonies and inner conflicts and the cynicism and rootlessness of her youth for their own purposes. But the inner disease, that we must recognize, is neutralism fed by insecurity and uncertainty.

This insecurity has an economic aspect, which the Japanese case makes clear. For the Japanese incident was immediately seized upon by some U.S. protectionists (who certainly have been feeling the

pangs of intensified foreign competition) to justify a boycott of Japanese goods to "punish" Japan.

We must resist the temptation to shut out Japanese exports. The U.S. is by far Japan's biggest market for the exports on which it lives and prospers. To raise more trade barriers than already exist would play smack into the Communists' hands. If we shut out their goods, Japan may be forced to turn to Red China and Russia; and we can be sure the Communists will drive a hard political bargain.

Besides political reasons for not "punishing" Japan, there are good economic reasons for not doing it. Japan is the second largest market for U.S. exports. U.S. discrimination would surely result in Japanese counter-measures and reduce our trade with a market of 90-million people whose standard of living is the highest in Asia, and rising fast.

Indeed, if we expect Japan to act like a member of the free world, we must make sure Japan is a member. European nations have continued to maintain high barriers against Japanese goods; these must come down—as ours have.

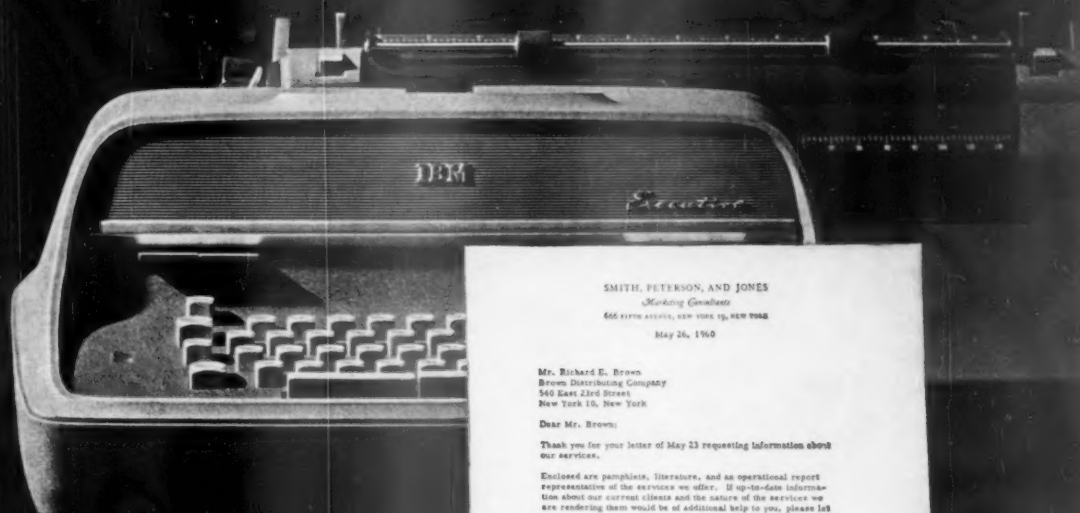
Global Problem

The closer one looks at the Japanese problem—at the complex interplay of neutralism, economic uncertainty, and strained Japanese-U.S. relations—the more one sees it is not a unique case among our global concerns.

In the years immediately ahead, we must do all that we can to strengthen our security system. Until it becomes technologically possible to deter Communist aggressors without stationing troops and maintaining bases on the perimeter of their empire, we must hold onto forward bases. But we must also get ourselves as quickly as possible into a position where the loss of a key ally would not be disastrous to the security of the free world. This is not to say that we must prepare to move back into political isolationism. Such a withdrawal would be the next-to-last disaster in our struggle against Communism. Rather, we must develop our military power in such a way that we could strike fast and devastatingly from the sea, from the air, or from our own territory, if confronted with Communist aggression.

Economic strength is just as important to members of the alliance. A depression or international monetary crisis developing out of balance-of-payments troubles could split the free world apart.

The Japanese affair, like the summit fiasco, has forced us to face up to the necessity of strengthening the free world militarily, politically, economically—and, if we may use a very old-fashioned word, spiritually. We still have time—but not an infinite amount of it.



SMITH, PETERSON, AND JONES
Marketing Consultants
466 KIPPO AVENUE, NEW YORK 19, NEW YORK
May 26, 1960

Mr. Richard E. Brown
Brown Distributing Company
540 East 23rd Street
New York 10, New York

Dear Mr. Brown:

Thank you for your letter of May 23 requesting information about our services.

Enclosed are pamphlets, literature, and an operational report representative of the services we offer. If up-to-date information about our current clients and the nature of the services we are rendering them would be of additional help to you, please let me know.

I am leaving for Chicago today but will be back in New York on June 4. At that time, I would appreciate the opportunity of seeing you and discussing the possibilities of our working together.

Cordially yours,

Robert J. Smith

Robert J. Smith
ccm
enc.

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